



GARDA

GARDA PROPERTY GROUP

Consolidated Interim Financial Report
for the six months ended 31 December 2019

GARDA Property Group

Comprising the consolidated financial reports of
GARDA Holdings Limited (ACN 636 329 774)
and its controlled entities

and

GARDA Diversified Property Fund
(ABN 17 982 396 608, ARSN 104 391 273)
and its controlled entities



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TO THE GROUND FLOOR
SPRINGWATER
ROCKETS

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Corporate Directory

This consolidated interim financial report does not include all of the notes typically included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 for GARDA Diversified Property Fund ARSN 104 391 273 and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

GARDA Property Group is an internally managed real estate investment, development and funds management group incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Level 21
12 Creek Street
BRISBANE QLD 4000

The consolidated interim financial report was authorised for issue by the directors on 20 February 2020. The directors have the power to amend and reissue the half-year consolidated financial statements.

Releases, financial reports and other information are available on our website: www.gardaproperty.com.au

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01

Directors' Report

Directors' Report

The Directors present their report and the consolidated financial statements for the six months ended 31 December 2019 for GARDA Property Group (**GARDA** or **the Group**), comprising GARDA Holdings Limited (**GHL** or **the Company**) and its controlled entities and GARDA Diversified Property Fund (**GDF** or **the Trust**) and its controlled entities.

In accordance with Australian Accounting Standards, the Directors also separately present the consolidated financial statements for the six months ended 31 December 2019 for GHL and its controlled entities.

The shares of the Company and the units of the Trust have been stapled to form GARDA stapled securities (ASX: GDF). The shares of the Company and units of the Trust cannot be traded separately and may only be traded together as stapled securities.

The consolidated interim financial statements of GHL and GDF have been presented together in accordance with ASIC Corporations (Stapled Group Reports) Instrument 2015/838 and the requirements of the Australian Securities Exchange.

Pursuant to Australian Accounting Standards, GDF is the deemed parent entity of GHL.

Directors

The Directors of GARDA and its predecessor entities during the half year and up to the date of this report were:

Mr Matthew Madsen

Executive Chairman

Mr Mark Hallett

Executive Director

Mr Philip Lee

Non-Executive Director

Mr Morgan Parker

Independent Director

Principal Activities

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

Significant Changes in State of Affairs

On 15 November 2019, unitholders of the Trust approved the internalisation of GDF's responsible entity and manager through the acquisition of GARDA Capital Group (ASX: GCM). The Queensland Supreme Court approved the internalisation on 19 November 2019. The internalisation involved:

- the establishment of GARDA through the stapling, on a one for one basis, of existing GDF units to shares in the newly created GHL; and
- the acquisition by GARDA of 100% of GCM with the consideration comprising 42,288,002 stapled securities.





The internalisation was formally completed on 29 November 2019 which is the deemed acquisition date for consolidation purposes. Trading in GARDA stapled securities on the ASX commenced on a deferred settlement basis on 20 November 2019 and on a normal basis from 2 December 2019.

GARDA stapled securities trade under the ASX ticker "GDF" and as at the date of this report there were 227,644,361 stapled securities on issue.

Review and Results of Operations

Operational highlights

Operational highlights for the six months ended 31 December 2019 included:

- acquisition of four industrial properties in Acacia Ridge and Archerfield for \$31.0 million plus costs;
- acquisition of two industrial warehousing and distribution assets in Morningside for \$41.0 million plus costs; and
- internalisation of the Trust's responsible entity and manager.

Financial highlights

Financial highlights for the six months included:

- FFO of \$7.7 million, up 19.3% (GDF HY19 - \$6.5 million);
- Net Asset Value (**NAV**) up \$0.05 to \$1.36 (GDF HY19 - \$1.31);
- Successful completion of a \$31.5 million institutional placement;
- Gearing of 34.6% as at 31 December 2019;
- AUM of \$407.6 million, up 33.1% (GDF HY19 - \$306.3 million); and
- Distributions of 4.50 cents per security, in line with guidance.

Funds from Operations

GARDA's statutory net profit after tax includes non-cash items such as fair value movements in asset and liability values. To more accurately reflect the underlying operational performance of the Group, the Directors have also elected to report Funds from Operations ("**FFO**").¹ FFO is not calculated in accordance with Australian Accounting Standards and has not been audited or reviewed by the auditor of the Group.

¹ FFO is GARDA 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.

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

		31 DECEMBER 2019 \$000	31 DECEMBER 2018 \$000
FFO		7,697	6,451
Fair value movement in investment properties:			
Increase in independent valuations ¹	3,310		-
Acquisition costs ²	(4,560)		-
Capital additions and capitalised costs ³	(5,139)		-
Other	(380)	(6,769)	(593)
Fair value movement of derivative financial instrument		323	(475)
Incentives amortisation and rent straight-line		184	153
Non-underlying and non-recurring revenue		-	8,000
Non-underlying and non-recurring expenses		(1,280)	(666)
Net profit for the half year attributable to securityholders		155	12,870
FFO per security (cents)		4.35	4.40
Distribution paid and payable		7,988	6,680
Distribution payout ratio		103.8%	103.5%

FFO of \$7.7 million was generated during the period, representing an increase of \$1.2 million from the prior half year (GDF HY19 \$6.5 million).

Distributions for the period totalled \$8.0 million, representing a payout ratio of 103.8%. Distributions for the half year increased compared to prior year due to the allotment of 22.5 million units following the \$31.5 million institutional placement in September 2019.

Acquisitions and Capital Management

On 5 July 2019, GDF settled the acquisitions of three adjacent transport orientated warehouse properties bordering the Acacia Ridge Intermodal Rail Terminal and a nearby warehouse property in Archerfield. Total consideration of \$31.0 million plus costs was funded through \$17.3 million of sale proceeds from the sale of a commercial building in Murarrie, existing debt facilities and a placement to the vendors of 4.4 million fully paid units at a price of \$1.36 per unit.

On 26 September 2019, GDF successfully completed an institutional placement of 22.5 million 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 \$41.0 million (plus costs) acquisition of two industrial warehousing and distribution assets in Morningside.

At 31 December 2019, GDF held seventeen investment properties totalling \$407.6 million in value.

Independent valuations of all investment properties were conducted during November 2019 and adopted as at 31 December 2019. See note 7 for further detail.

At balance date, GARDA had drawn borrowings of \$165.1 million, with a gearing ratio of 34.6%⁴

1 Relates to gross movement in independent valuations between 30 June 2019 and 31 December 2019, plus the \$2 million rental guarantee for Acacia Ridge.

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

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

4 Gearing ratio is calculated as borrowings (drawn bank debt and securityholder loan) less cash divided by total assets less cash.

Treasury Securities

The internalisation resulted in the Trust effectively acquiring 100% of GARDA Capital Trust (**GCT**) which previously formed part of the GCM stapled group. GCT's only pre-internalisation asset was 21.9 million units in the Trust which, following the internalisation, represents 9.6% of GARDA's issued capital.

GCT's 9.6% interest in GARDA is designated as Treasury Securities and, pursuant to Australian Accounting Standards, has been deducted from equity in GARDA's Statement of Financial Position. Further, distributions received by GCT from Treasury Securities have been eliminated from income in GARDA's Statement of Profit or Loss and Other Comprehensive Income.

Distributions

On 20 August 2019, GDF's final distribution for the year ended 30 June 2019 was paid. The distribution was 2.25 cents per unit with the total distribution being \$3.6 million.

With respect to the six months ended 31 December 2019:

- on 16 October 2019, a Trust distribution of 2.25 cents per unit, or a total of \$3.7 million, was paid to GDF unitholders.
- on 4 December 2019, a Trust distribution of 1.50 cents per unit, or a total of \$2.8 million, was paid to GDF unitholders.
- on 18 December 2019, a Trust distribution of 0.75 cents per unit, or a total of \$1.5 million net of Treasury Securities), was announced and subsequently paid to GARDA stapled securityholders on 22 January 2020.

Trust Distributions in respect of the six months ended 31 December 2019 totalled \$8.0 million (2018: \$6.7 million), representing a payout ratio of 103.8% of FFO.

Since completion of the internalisation on 29 November 2019, the Company has not paid any dividends.

Events Subsequent to the end of the Reporting Period

GARDA is well advanced in restructuring its existing debt facilities with St. George Bank (current limit \$131.6 million) and ANZ Banking Group (current limit \$49.1 million). The new debt structure is expected to be a \$200 million syndicated facility, increasing GARDA's borrowing capacity by \$19.3 million. Negotiations with the participating banks are in progress and financial close is expected to occur in the short term.

In February 2020, the Group renegotiated and executed a new lease with Planet Innovation at Elgar Road, Box Hill for the entirety of the building, totalling 5,702m². The lease is for seven-year term from 1 December 2020 with two options to extend, each for three years.

Development work for a 5,200m² building at 498 Progress Road, Wacol commenced in February 2020.

There are no other significant matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect, the operations of GARDA, the results of those operations, or the state of affairs of GARDA, in future periods.


Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

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 \$1,000 or in certain cases, to the nearest dollar.

This report is signed in accordance with a resolution of Directors.



Matthew Madsen
Executive Chairman

20 February 2020

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Auditor's Independence Declaration

Auditor's Independence Declaration



Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

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 auditor's review for the half-year ended 31 December 2019, 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 period.

PITCHER PARTNERS

A handwritten signature in black ink, appearing to read 'Warwick Face', written over a horizontal line.

WARWICK FACE
Partner

Brisbane, Queensland
20 February 2020

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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

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Interim Financial Statements

Consolidated Statements of Profit or Loss and other Comprehensive Income

For the six months ended 31 December 2019

	NOTES	GARDA PROPERTY GROUP		GARDA HOLDINGS LIMITED	
		31 DECEMBER 2019 \$000	31 DECEMBER 2018 \$000	31 DECEMBER 2019 ¹ \$000	31 DECEMBER 2018 \$000
Revenue	3	13,938	12,353	381	-
Other income	3	659	8,082	5	-
Gain on bargain purchase on acquisition	13	-	-	6,187	-
Property expenses		(3,291)	(2,922)	-	-
Finance costs		(1,445)	(1,553)	(13)	-
Employee benefits expense		(197)	-	(197)	-
Corporate and trust administration expenses		(1,779)	(2,022)	(120)	-
Depreciation		(3)	-	(3)	-
Internalisation expenses	13	(1,197)	-	-	-
Security based payments expense		(82)	-	-	-
Net profit/(loss) on financial instrument held at fair value through profit or loss		323	(475)	-	-
Fair value movement in investment properties	7	(6,769)	(593)	-	-
Profit before income tax		157	12,870	6,240	-
Income tax benefit (expense)		(2)	-	(2)	-
Profit after income tax for the period		155	12,870	6,238	-
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the period		155	12,870	6,238	-
Total profit and total comprehensive income for the period attributable to:					
Securityholders of GARDA Property Group		105	-	-	-
Shareholders of GARDA Holdings Limited		50	-	6,238	-
Profit and total comprehensive income for the half year		155	12,870	6,238	-
Earnings per stapled security:					
Basic earnings per stapled security/ company share (cents)	4	0.1	8.8	2.7	-
Diluted earnings per stapled security/ company share (cents)	4	0.1	8.8	2.7	-

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes to the Financial Statements.

1 Result reflects the Company performance from 29 November 2019 to 31 December 2019.

Consolidated Statements of Financial Position

As at 31 December 2019

	NOTES	GARDA PROPERTY GROUP		GARDA HOLDINGS LIMITED	
		31 DECEMBER 2019 \$000	30 JUNE 2019 \$000	31 DECEMBER 2019 \$000	30 JUNE 2019 \$000
ASSETS					
Current assets					
Cash and cash equivalents		12,155	20,213	5,102	-
Trade and other receivables	5	6,237	1,441	3,130	-
Total current assets		18,392	21,654	8,232	-
Non-current assets					
Other assets		-	1,874	-	-
Investment properties	7	407,577	332,806	1,250	-
Property, plant and equipment		45	-	45	-
Intangible assets	8	33,586	-	-	-
Total non-current assets		441,208	334,680	1,295	-
Total assets		459,600	356,334	9,527	-
LIABILITIES					
Current liabilities					
Trade and other payables		3,311	4,236	563	-
Distribution payable	6	1,548	3,565	-	-
Borrowings	9	164,679	15,417	1,970	-
Current tax liability		529	-	529	-
Total current liabilities		170,067	23,218	3,062	-
Non-current liabilities					
Tenant security deposits		363	323	13	-
Borrowings	9	12,263	112,872	-	-
Derivative financial instrument		2,504	2,825	-	-
Provisions		35	-	35	-
Deferred tax liability		160	-	160	-
Total non-current liabilities		15,325	116,020	208	-
Total liabilities		185,392	139,238	3,270	-
Net assets		274,208	217,096	6,257	-
EQUITY					
Contributed equity		345,975	281,112	19	-
Security based payment reserve		82	-	-	-
Retained earnings/ (accumulated losses)		(71,849)	(64,016)	6,238	-
		274,208	217,096	6,257	-

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying Notes to the Financial Statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

GARDA PROPERTY GROUP CONSOLIDATED	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 half year	-	-	155	155
Other comprehensive income	-	-	-	-
	281,112	-	(63,861)	217,251
Transactions with owners in their capacity as owners				
Security issue in relation to entitlement and placement offer	37,500	-	-	37,500
Securities issued as consideration for internalisation	58,992	-	-	58,992
Security issue transaction costs for internalisation	(58)	-	-	(58)
Security issue transaction costs	(619)	-	-	(619)
Share based payment expense	-	82	-	82
Loan receivable for vested securities as per employee security plan	(291)	-	-	(291)
Cancellation of treasury securities on consolidation	(30,661)	-	-	(30,661)
Distributions paid and payable	-	-	(7,988)	(7,988)
Total transactions with owners in their capacity as owners	64,863	82	(7,988)	56,957
Balance at 31 December 2019	345,975	82	(71,849)	274,208

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

For the six months ended 31 December 2018

GARDA PROPERTY GROUP CONSOLIDATED	CONTRIBUTED EQUITY \$000	ACCUMULATED LOSSES \$000	TOTAL EQUITY \$000
Balance at 1 July 2018	256,870	(78,986)	177,884
Profit for the half year	-	12,870	12,870
Other comprehensive income	-	-	-
	256,870	(66,116)	190,754
Transactions with owners in their capacity as owners			
Security issue	25,000	-	25,000
Security issue transaction costs	(758)	-	(758)
Distributions paid or provided for	-	(6,680)	(6,680)
Total transactions with owners in their capacity as owners	24,242	(6,680)	17,562
Balance at 31 December 2018	281,112	(72,796)	208,316

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 31 December 2019

GARDA HOLDINGS LIMITED	CONTRIBUTED EQUITY \$000	ACCUMULATED LOSSES \$000	TOTAL EQUITY \$000
Balance at 1 July 2019	-	-	-
Profit for the half year	-	6,238	6,238
Other comprehensive income	-	-	-
Total comprehensive income for the half year	-	6,238	6,238
Transactions with owners in their capacity as owners	-	-	-
Security issue transaction costs	19	-	19
Total transactions with owners in their capacity as owners	19	-	19
Balance at 31 December 2019	19	6,238	6,257

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

Consolidated Statements of Cash Flows

For the six months ended 31 December 2019

NOTES	GARDA PROPERTY GROUP		GARDA HOLDINGS LIMITED	
	31 DECEMBER 2019 \$000	31 DECEMBER 2018 \$000	31 DECEMBER 2019 ¹ \$000	31 DECEMBER 2018 \$000
Cash flows from operating activities				
Receipts from customers (includes GST)	15,211	13,691	139	-
Receipts from rental guarantees	2,000	-	-	-
Litigation Proceeds	75	8,000	-	-
Payments in the course of operations (includes GST)	(6,610)	(8,610)	(303)	-
Interest received	16	32	3	-
Finance costs	(2,676)	(2,129)	(13)	-
Net GST (paid)/ refund	(147)	1,557	-	-
Net cash provided by operating activities	7,869	12,541	(174)	-
Cash flows from investing activities				
Cash acquired at internalisation 13	4,375	-	4,318	-
Acquisition costs relating to internalisation	(1,487)	-	(80)	-
Payments for investment property improvements	(3,487)	(4,493)	-	-
Payments for acquisition and capital expenditure on investment properties under construction	(69,814)	(18,035)	-	-
Due diligence costs and deposits for investment properties	(833)	-	-	-
Payment of commission on sale of property	(259)	-	-	-
Payments for leasing fees	(196)	(319)	-	-
Net cash (used in) provided by investing activities	(71,701)	(22,847)	4,238	-
Cash flows from financing activities				
Repayment of intra-stapled loan by parent entity	-	-	1,735	-
Proceeds of borrowings	52,020	25,051	-	-
Repayment of borrowings	(15,417)	(26,250)	-	-
Prepayments for borrowing transaction costs	(700)	(29)	-	-
Proceeds from issue of additional equity	31,500	25,000	-	-
Equity transaction costs	(619)	(758)	-	-
Dividends paid (declared during the pre-internalisation period)	(697)	-	(697)	-
Distributions paid	(10,313)	(6,230)	-	-
Net cash provided by (used in) financing activities	55,774	16,784	1,038	-
Net increase in cash and cash equivalents	(8,058)	6,478	5,102	-
Cash and cash equivalents at 1 July	20,213	4,523	-	-
Cash and cash equivalents at 31 December	12,155	11,001	5,102	-

The above Consolidated Statements of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

1 Cashflows reflect the Company's performance from 29 November 2019 to 31 December 2019.

Note 1

Summary of Significant Accounting Policies

Statement of compliance

The financial statements do not include all of the notes typically included in annual financial statements. It is recommended these half year financial statements are read in conjunction with the annual financial report for GDF for the year ended 30 June 2019 and public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporation Act 2001*.

Basic of Preparation

GARDA's consolidated interim financial statements for the six months ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The consolidated interim financial statements for GARDA, comprising GDF and GHL, have been presented together in accordance with ASIC Corporations (Stapled Group Reports) Instrument 2015/838 and the requirements of the Australian Securities Exchange.

Pursuant to Australian Accounting Standards, GDF is the deemed parent entity of GHL.

The interim financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Internalisation and stapling

On 15 November 2019, unitholders of the Trust approved the internalisation of GDF's responsible entity and manager through the acquisition of GARDA Capital Group (ASX: GCM). The Queensland Supreme Court approved the internalisation on 19 November 2019. The internalisation involved:

- the establishment of GARDA through the stapling, on a one for one basis, of existing GDF units to shares in the newly created GHL; and
- the acquisition by GARDA of 100% of GCM with the consideration effectively comprising 42,288,002 stapled securities.

The internalisation was formally completed on 29 November 2019, which is the deemed acquisition date for consolidation purposes. Trading in GARDA stapled securities on the ASX commenced on a deferred settlement basis on 20 November 2019 and on a normal basis from 2 December 2019.

GARDA stapled securities trade under the ASX ticker "GDF" and as the date of this report there were 227,644,361 stapled securities on issue.

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 one-month period between 29 November 2019 and 31 December 2019.

New and amended accounting standards and impact on accounting policies

The same accounting policies and method of computation have generally been followed in these half year financial statements as compared with the most recent annual financial statements of GDF, except for the adoption of the following 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 is calculated as the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree.

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, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any acquired equity interest in the acquired entity over the fair value of the net identifiable assets acquired is 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.

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also 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 on 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 except for goodwill that arises from the recognition of deferred tax on management rights with an indefinite useful life. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in 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 for GHL

Income tax for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of 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 arising 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 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 are recognised in profit or loss, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation for GHL

GHL and its wholly-owned entities 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 are entering into a tax funding agreement under which the wholly-owned entities fully compensate GHL for any current tax payable 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 entities' 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.

Leases

AASB 16 Leases has become effective for the half year ended 31 December 2019 and has been adopted by GARDA. AASB 16 requires that all operating leases, other than short-term leases and leases of low value assets, be recorded in the Statement of Financial Position. In addition, rent expenses should be replaced by depreciation of right to use assets and interest expenses relating to the relevant lease liability.

As disclosed in the GDF annual financial report for the year ended 30 June 2019, AASB 16 will have no impact on lease accounting from a lessor perspective for GDF.

AASB 16 will apply to GHL's operating lease commitments, however, the Directors have adopted the transition exemption available in AASB 16 and all leases which have a remaining term of 12 months or less continue to be recognised as expenses.

Security based payments expense

The costs of equity-settled transactions including, loan funded security issues, are determined by the fair value at the grant dates, 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, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not 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.

Treasury Securities

Treasury Securities are deducted against equity or eliminated on consolidation. Any distribution related to the Treasury Securities is also eliminated on consolidation.

Key judgement – Going Concern

GARDA Property Group

GARDA was in a net current asset deficit position as at 31 December 2019 of \$151,675,000.

The deficiency was primarily due to certain tranches of bank borrowings totalling \$152,852,000 and non-bank borrowings of \$11,970,000 being classified as current liabilities due to maturity of these borrowing facilities occurring within 12 months of 31 December 2019.

GARDA is well advanced in restructuring its existing debt facilities with St. George Bank (current limit \$131.6 million) and ANZ Banking Group (current limit \$49.1 million). The new debt structure is expected to be a \$200 million syndicated facility, increasing GARDA's borrowing capacity by \$19.3 million. Negotiations with the participating banks are in progress and financial close is expected to occur in the short term.

The Directors are of the reasonable opinion that GARDA will be able to meet its liabilities as and when they fall due.

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 \$1,000 or in certain cases, to the nearest dollar.

Note 2 Segment Information

As at 31 December 2019, as per AASB 8 Operating Segments, GARDA had only one reportable segment being investment in, and development and management of, Australian commercial and industrial real estate assets.

Note 3 Revenue and Other Income

	GARDA PROPERTY GROUP		GARDA HOLDINGS LIMITED	
	31 DECEMBER 2019 \$000	31 DECEMBER 2018 \$000	31 DECEMBER 2019 \$000	31 DECEMBER 2018 \$000
Revenue recognised under AASB 16 Leases				
Lease revenue	11,895	10,816	4	-
Lease costs and incentive amortisation	(487)	(482)	-	-
	11,408	10,334	4	-
Revenue recognised under AASB 15 Revenue from contracts with customers				
Recoverable outgoings non-lease component	2,363	2,019	-	-
Fund and real estate management	-	-	210	-
Recoveries and other fees	106	-	106	-
Debt advisory services	40	-	40	-
Operating interest income	21	-	21	-
	2,530	2,019	377	-
Total revenue	13,938	12,353	381	-
Other income				
Non-operating interest income	16	82	5	-
Litigation proceeds	475	8,000	-	-
Sundry income	168	-	-	-
Total other income	659	8,082	5	-
Total revenue and other income	14,597	20,435	386	-

Disaggregation of revenue from contracts with customers

GARDA PROPERTY GROUP	2019			2018		
	POINT IN TIME \$000	OVER TIME \$000	TOTAL \$000	POINT IN TIME \$000	OVER TIME \$000	TOTAL \$000
Recoverable outgoings – non-lease component	-	2,363	2,363	-	2,019	2,019
Recoveries and other fees	-	106	106	-	-	-
Debt advisory services	40	-	40	-	-	-
Operating interest income	-	21	21	-	-	-
Total	40	2,490	2,530	-	2,019	2,019

GARDA HOLDINGS LIMITED	2019			2018		
	POINT IN TIME \$000	OVER TIME \$000	TOTAL \$000	POINT IN TIME \$000	OVER TIME \$000	TOTAL \$000
Fund and real estate management	-	210	210	-	-	-
Recoveries and other fees	-	106	106	-	-	-
Debt advisory services	40	-	40	-	-	-
Operating interest income	-	21	21	-	-	-
Total	40	337	377	-	-	-

Note 4 Earnings Per Stapled Security

	GARDA PROPERTY GROUP		GARDA HOLDINGS LIMITED	
	31 DECEMBER 2019 \$000	31 DECEMBER 2018 \$000	31 DECEMBER 2019 \$000	31 DECEMBER 2018 \$000
<i>Earnings used in calculating earnings per stapled security</i>				
Net profit after tax attributable to securityholders	155	12,870	6,238	-
Basic and diluted earnings per stapled security (cents)	0.1	8.8	2.7	-
Weighted average number of ordinary units used in the calculation of basic profit per stapled security	176,842,027	146,466,333	227,644,361	-
Weighted average number of ordinary units used in the calculation of diluted profit per stapled security	177,513,503	146,466,333	227,644,361	

Note 5 Trade And Other Receivables

	GARDA PROPERTY GROUP		GARDA HOLDINGS LIMITED	
	31 DECEMBER 2019 \$000	30 JUNE 2019 \$000	31 DECEMBER 2019 \$000	30 JUNE 2019 \$000
Trade receivables	954	604	311	-
Provision for expected credit losses	(139)	(382)	-	-
Prepayments	2,619	593	210	-
Rental guarantees/incentives receivable ¹	239	517	-	-
Sundry Receivables	169	-	144	-
GST Receivable	-	109	-	-
Commercial loans to external third parties	2,395	-	2,395	-
Intercompany loan receivable	-	-	70	-
	6,237	1,441	3,130	-

Note 6 Distributions

	GARDA PROPERTY GROUP		GARDA HOLDINGS LIMITED	
	31 DECEMBER 2019 \$000	31 DECEMBER 2018 \$000	31 DECEMBER 2019 \$000	31 DECEMBER 2018 \$000
<i>Distributions provided for and/or paid during the period were:</i>				
September 2019 quarter distribution (2.25 cents per security)	3,664	3,115	-	-
October and November 2019 distribution (1.50 cents per security)	2,780	-	-	-
December 2019 distribution (0.75 cents per security)	1,708	-	-	-
December 2018 quarter distribution (2.25 cents per security)	-	3,565	-	-
	8,152	6,680	-	-
Distribution on Treasury Securities post internalisation	(164)	-	-	-
	7,988	6,680	-	-

Distributions declared in December 2019 of \$1,544,000 (net of Treasury Security distribution) but not paid until after year end have been provided for. No dividends have been declared or paid by GHL since the implementation of internalisation on 29 November 2019.

¹ Rental guarantees/incentives receivable are in respect of the sale of 747 Lytton Road, Murarrie in June 2019. The amounts receivable represent cash held in external lawyer trust accounts, subject to release to the buyer or to the seller as per contract conditions.

Note 7

Investment Properties

	31 DECEMBER 2019 \$000	30 JUNE 2019 \$000
GARDA PROPERTY GROUP		
Investment properties at independent valuation	378,050	322,300
Investment properties acquired at independent valuation	1,250	-
Capital expenditure post independent valuation	1,217	-
Investment properties at Directors' valuation	-	1,006
Investment properties under construction at Directors' valuation	-	9,500
Investment properties under construction at independent valuation	27,060	-
	407,577	322,806
Movements during the half year		
Balance at 1 July	332,806	283,932
Acquisition of investment properties via business combination	1,250	-
Acquisition of tenanted investment properties	56,517	10,292
Purchase price adjustment for rental guarantee	(2,000)	-
Capital expenditure on tenanted investment properties	3,149	8,550
Acquisition and capital expenditure of properties under construction	22,244	34,851
Disposal of property	-	(14,753)
Straight-lining of rental income	532	1,077
Net movement in leasing fees and incentives	(152)	(137)
Movements in fair value:		
Increase in independent valuations ¹	3,310	17,100
Acquisition costs ²	(4,560)	(786)
Capital additions and capitalised costs ³	(5,139)	(6,380)
Other	(380)	(940)
Balance at the end of the half year	407,577	332,806

1 Relates to gross movement in independent valuations between June and December 2019, plus the \$2 million Acacia Ridge rental guarantee.

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

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

	31 DECEMBER 2019 \$000	30 JUNE 2019 \$000
GARDA HOLDINGS LIMITED		
Land at Palmer Street, Townsville	1,250	-
	1,250	-
Movements during the half year		
Balance at the date of internalisation	1,250	-
Movements in fair value	-	-
Balance at end of the half year	1,250	-

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

Investment properties have been valued at fair value, being the amount for which they could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market.

Valuations are based on independent assessments made by qualified and suitably experienced certified practicing external valuers using capitalisation and discounted cash flow valuation methodologies. The results of these primary valuation methodologies were checked by the direct comparison approach and analysed on a rate per square metre of total lettable area.

Valuations were undertaken during November 2019 except for the Townsville property which was independently valued on 30 May 2019.

The Directors at 31 December 2019 have adopted the most recent independent valuations plus all capital expenditure incurred during the half year which has been deemed by the Directors as being capital accretive.

The specific key assumptions and variables adopted in the valuations are set out below:

Investment property valuations details

31 DECEMBER 2019

GDF PROPERTIES	VALUATION BASIS	CAPITALISATION RATE	NET MARKET INCOME \$000	CAPITAL ADJUSTMENT \$000	VALUATION \$000	
Acacia Ridge, 38 Peterkin St	Independent	7.50%	496	(578)	6,000	
Archerfield, 839 Beaudesert Rd	Independent	7.50%	482	(443)	6,000	
Box Hill, 436 Elgar Rd	Independent	6.25%	2,107	(1,530)	32,000	
Cairns, 7-19 Lake Street	Independent	8.25%	5,141	(6,143)	56,000	
Cairns, Land at 26-30 Grafton Street	Independent	n/a	n/a	n/a	2,000	
Heathwood, 67 Noosa Street	Independent	6.75%	722	572	11,250	
Lytton, 142-150 Benjamin Place	Independent	7.00%	722	(540)	9,800	
Mackay, 69-79 Diesel Drive	Independent	7.50%	1,966	3,717	30,000	
Morningside, 326&340 Thynne Rd	Independent	5.75%	2,126	(694)	41,000	
Pinkenba, 70-82 Main Beach Rd	Independent	6.75%	1,112	3,606	20,000	
Richmond, 572-576 Swan Street	Independent	5.75%	3,295	(3,867)	53,500	
Richmond, 588 Swan Street (Botanicca 9)	Independent	5.75%	3,963	(10,255)	59,000	
Varsity Lakes, 154 Varsity Parade	Independent	8.25%	1,180	(1,666)	12,500	
Wacol, 41 Bivouac Place	Independent	5.75%	2,200	1,150	39,000	
					378,050	
Properties under construction						
Acacia Ridge, 56 Peterkin St	Independent	7.25%	538	(848)	6,700	
Acacia Ridge, 69 Peterkin Street	Independent	7.25%	901	(1,562)	10,900	
Berrinba, 1-9 Huntress Road	Independent	n/a	n/a	n/a	3,130	
Wacol, 498 Progress Road	Independent	n/a	n/a	n/a	6,330	
					27,060	
Value accretive additions	Directors				1,217	
					1,217	
GHL properties						
Townsville, 30 Palmer Street	Independent	n/a	n/a	n/a	1,250	
					1,250	
Total 31 December 2019 investment properties					407,577	
Total 30 June 2019 investment properties						332,806

Contractual obligations

There were no other contractual obligations to purchase, construct or develop investment properties as at 31 December 2019.

Note 8 Intangible Assets

	GARDA PROPERTY GROUP		GARDA HOLDINGS LIMITED	
	31 DECEMBER 2019 \$000	30 JUNE 2019 \$000	31 DECEMBER 2019 \$000	30 JUNE 2019 \$000
Goodwill	33,586	-	-	-
	33,586	-	-	-

Intangible assets consist of goodwill on the acquisition of GCM as part of the internalisation transaction.

The acquisition of GCL by GHL resulted in a gain on bargain purchase amount of \$6,187,000 which is 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 goodwill arising on the acquisition of GCT by GDF resulting in GARDA's goodwill on acquisition of \$33,586,000.

Further details of the internalisation transaction and acquisition accounting are disclosed in note 13.

Note 9 Borrowings

	GARDA PROPERTY GROUP		GARDA HOLDINGS LIMITED	
	31 DECEMBER 2019 \$000	30 JUNE 2019 \$000	31 DECEMBER 2019 \$000	30 JUNE 2019 \$000
Current				
Bank loans (secured)	152,709	15,417	-	-
Securityholder loan (secured)	1,970	-	1,970	-
Syndicate loan (secured)	10,000	-	-	-
Non-current				
Bank loans (secured)	12,263	112,872	-	-
	176,942	128,289	1,970	-

Bank Loans

St.George Bank

GDF has \$131,660,000 of debt facilities with St.George Bank (refer below), drawn to \$116,015,000. The tranches have maturity dates as follows:-

- Drawn facilities of \$103,752,000 (limit of \$119,397,000) due to mature on 30 September 2020 (classified as current liabilities).
- Drawn facility of \$4,410,000 (fully drawn) due to mature on 30 April 2021 (classified as non-current liabilities).
- Drawn facility of \$7,853,000 (fully drawn) due to mature on 30 June 2021 (classified as non-current liabilities).

The St.George Bank loan is secured by:

- a) a first registered mortgage over the applicable properties;
- b) a first registered fixed and floating charge over the assets of the Trust in favour of the bank relating to the security properties; and
- c) guarantee and indemnity provided by the responsible entity GARDA Capital Limited, limited to the value of the security properties.

Under the facility agreement with St. George Bank at 31 December 2019, the following covenants exist:

- a) Interest cover ratio is to remain above 2.50 times; and
- b) Loan to value ratio (LVR) must remain under 50%.

ANZ Banking Group

GDF has three fully-drawn investment facilities with ANZ Banking Group totalling \$49,100,000. \$21,150,000 of the ANZ investment facilities is due to expire on 9 August 2020, \$9,500,000 of the ANZ Investment Facilities is due to expire on 9 September 2020 and \$18,450,000 of the ANZ Investment Facilities is due to expire on 9 September 2020. Accordingly, the facilities have been classified as current liabilities.

The ANZ Bank loan is secured by:

- a) a first registered mortgage over the applicable properties;
- b) a second ranking general security interest over the assets of the Trust in favour of the bank relating to the security properties; and
- c) guarantee and indemnity provided by the responsible entity GARDA Capital Limited, limited to the value of the security properties.

Under the facility agreement with ANZ Banking Group the following covenants exist:

- a) Wacol loan to value ratio (LVR) to be no greater than 60%;
- b) Pinkenba LVR to be no greater than 50%;
- c) Morningside LVR to be no greater than 45%; and
- d) Interest cover ratio to remain above 2.50 times.

A deed of priority operates between St. George Bank and ANZ Banking Group in relation to their respective securities. There were no breaches of covenants during the period.

At the 31 December 2019 the following facility limits exist:

Facility	Facility Limit \$000	Amount Drawn \$000	Amount Available \$000
St George Bank	131,660	116,015	15,645
ANZ Banking Group	49,100	49,100	-
Total facilities	180,760	165,115	15,645

At balance date, GARDA had drawn borrowings of \$165.1 million, with a gearing ratio of 34.6%¹.

GDF has fixed interest rate swap agreements with St George Bank of \$60,000,000 (30 June 2019: \$60,000,000) which expire in July 2022.

Securityholder Loans

This loan facility has been advanced by a major securityholder, M3SIT Pty Ltd as trustee for the M3 Solutions Investment Trust. Interest is payable at 8 per cent per annum and the current expiry date of the loan is 31 December 2020.

The securityholder loan is fully drawn and secured by a registered fixed and floating charge over all the assets of GARDA Property Group. There are no financial covenants imposed.

Syndicate Loan

This loan facility has been advanced by a syndicate of lenders, some of which are related parties or substantial securityholders in GARDA. Interest is payable at 7 per annum and the current expiry date of the loan is 15 December 2020. The syndicate loan is fully drawn and secured by all property of GPG. There are no financial covenants imposed.

¹ Gearing ratio is calculated as borrowings (drawn bank debt and securityholder loan) less cash divided by total assets less cash. LVR at 31 December 2019 was 41% which is calculated as drawn debt divided by independent property valuations.

Note 10 Contributed Equity

	GARDA PROPERTY GROUP		GARDA HODLINGS LIMITED	
	31 DECEMBER 2019 NUMBER OF SECURITIES	30 JUNE 2019 NUMBER OF SECURITIES	31 DECEMBER 2019 NUMBER OF SHARES	30 JUNE 2019 NUMBER OF SHARES
Ordinary securities/ shares	227,644,361	158,444,594	227,644,361	-
Movements during the year				
Balance at beginning of half year	158,444,594	138,444,594	-	-
Entitlement offer	4,411,765	-	-	-
Placement offer	22,500,000	20,000,000	-	-
Securities issued at incorporation and on initial capitalisation	-	-	185,356,359	-
Securities issued as consideration for internalisation	42,288,002	-	42,288,002	-
Total issued securities as per ASX	227,644,361	158,444,594	227,644,361	-
Treasury securities acquired on internalisation	(21,900,363)	-	-	-
Unvested securities on issue under the employee security plan	(3,360,000)	-	-	-
Vested securities under the employee security plan subject to limited recourse loan	(480,000)	-	-	-
Total issued securities for financial statements	201,903,998	158,444,594	227,644,361	-

Treasury Securities

The internalisation resulted in GDF owning 100% of the GCT which, in turn, owns 21,900,363 GARDA stapled securities. In accordance with Australian Accounting Standards, Treasury Securities have been deducted against equity and excluded from the total issued securities of 227,644,361 for accounting purposes.

Employee security plan securities

At internalisation, included in GARDA's issued securities are 3,840,000 stapled securities issued to executive Directors and employees on implementation of the internalisation to replace GCM securities that had previously issued under the GCM employee security plan (**ESP**).

480,000 ESP securities vested on implementation of internalisation 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 GCM ESP were provided with limited recourse loans to finance the acquisition of their ESP securities. Interest on the limited recourse loans for any particular year was equal to the Australian Tax Office FBT benchmark interest rate. The limited recourse loans for the participants have a term of up to ten years. Following the internalisation and replacement of GCM ESP securities with GARDA securities, participating executive Directors and employees have been provided with equivalent loan terms.

No securities have been issued as part of the new GARDA ESP post internalisation.

Note 11

Related Parties and Key Management Personnel

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

Pre internalisation

GDF and GCM were related parties immediately prior to the internalisation transaction which was implemented on 29 November 2019. As the responsible entity and manager of GDF, GCL 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) (reducing to 0.60% per annum of GAV in excess of \$750 million 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 GCM up to the date of the internalisation were as follows:

	29 NOVEMBER 2019	31 DECEMBER 2018
<i>Responsible entity's fees</i>		
Management fee	1,092,074	997,343
Capital works fees	90,207	811,998
	1,182,281	1,809,341
<i>Other transactions with the responsible entity</i>		
Recovery of professional expenses	292,298	220,083
Distribution paid or payable on units held in GDF by GARDA Capital Trust, the stapled entity of the responsible entity	821,263	913,516
	1,113,561	1,133,599

In addition, GCM corporate 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 RE. The fees paid for those services and administration costs reimbursed for the period up to the internalisation were as follows:

	29 NOVEMBER 2019	31 DECEMBER 2018
GARDA Real Estate Services Pty Ltd	496,201	706,498
GARDA Facilities Management Pty Ltd	82,857	97,378
GARDA Services Pty Ltd	69,245	79,833
GARDA Finance Pty Ltd	500,000	-
	1,148,303	883,709

The following balances were payable by GDF to GCM as at the date of the internalisation:

	29 NOVEMBER 2019	31 DECEMBER 2018
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 previously paid by GDF to GCM have become internal charges between wholly-owned GARDA entities and are therefore not disclosed as related party payments.

Other related parties

M3SIT Pty Ltd, as trustee for the M3 Solutions Investment Trust, is a substantial securityholder in GARDA and Mark Hallett is a director of both entities. M3SIT Pty Ltd, as trustee for the M3 Solutions Investment Trust, had provided GCM with a loan of \$1,970,000 which, following the internalisation, has become a liability of GARDA. Interest of \$13,133 was paid during the month of December 2019 (post internalisation).

The terms of this facility and repayments for the year are disclosed in note 9.

GCM had also been advanced a \$10,000,000 loan facility by a syndicate of lenders, some of whom were related parties or substantial securityholders in GCM. Following the internalisation, that \$10,000,000 facility has become a liability of GARDA. The syndicate loan is fully drawn and secured by the Treasury Securities. Details of the lenders who participated and are related parties are detailed in the table below:

LENDER	AMOUNT OWING 31 DECEMBER 2019 \$	INTEREST 31 DECEMBER 2019 \$
M3SIT Pty Ltd as trustee for M3 Solutions Investment Trust	1,000,000	5,833

Employee security plan

At internalisation, included in GARDA's issued securities are 3,840,000 stapled securities issued to executive Directors and employees on implementation of the internalisation to replace GCM securities that had previously issued under the GCM employee security plan (**ESP**).

480,000 ESP securities vested on implementation of internalisation while 3,360,000 remain unvested.

Details of the current participants under the limited recourse loan funded GARDA ESP are set out in the following table:

PARTICIPANT	ISSUE DATE	SECURITIES	PRICE ¹	LOAN BALANCE RECEIVABLE 31 DECEMBER 2019	VESTING DATE
Matthew Madsen	13 November 2017	960,000	\$0.63	\$561,425	13 Nov 2020
David Addis	3 June 2019	320,000	\$1.08	\$336,746	3 Jun 2021
	23 August 2019	240,000	\$1.22	\$290,688	23 Aug 2021
	23 August 2019	240,000	\$1.22	\$290,688	23 Aug 2022
Lachlan Davidson	23 August 2019	240,000	\$1.22	\$290,688	23 Aug 2021
Mark Scammells	23 August 2019	400,000	\$1.22	\$484,479	23 Aug 2021
	23 August 2019	400,000	\$1.22	\$484,479	23 Aug 2022
Total		2,800,000		\$2,739,236	

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

¹ Adjusted for the internalisation exchange ratio of 1.6x

Note 12

Fair Value Measurement

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

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

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

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.

	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
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
31 December 2019				
Assets				
Investment properties	-	-	407,577	407,577
	-	-	407,577	407,577
Liabilities				
Derivative financial instruments	-	2,504	-	2,504
	-	2,504	-	2,504

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.

DESCRIPTION	VALUATION APPROACH	UNOBSERVABLE INPUTS	RANGE OF INPUTS	RELATIONSHIP BETWEEN UNOBSERVABLE INPUTS AND FAIR VALUE
Investment properties	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 management based on comparable transactions and industry data.	Discount rate	6.50% to 9.00%	The higher the discount rate, terminal yield and expected vacancy rate, the lower the fair value.
		Capitalisation rate	5.75% to 8.25%	
		Terminal yield	6.00% to 8.50%	
		Expected vacancy rate	(weighted average 0%)	The higher the rental growth, the higher the fair value. Based on Gross Face Rental growth 10 year CAGR.
		Rental growth rate	2.17% to 3.33%	

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 payments by derivative which is discounted back to present value. The model's interest rate inputs are benchmark interest 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 affected fair values.

Reconciliation of Level 3 fair value movements

Refer to note 7 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 13 Business Combination

On 19 November 2019, unitholders of the Trust approved the internalisation of GDF's responsible entity and manager through the acquisition of GARDA Capital Group (ASX: GCM). The Queensland Supreme Court approved the internalisation, by way of schemes of arrangement, on 19 November 2019. The internalisation involved:

- the establishment of GARDA through the stapling, on a one for one basis, of existing GDF units to shares in the newly created GHL;
- the unstapling of GARDA into GDF units and GHL shares;
- the unstapling of GCM into GCT units and GCL shares;
- through the Trust scheme, the acquisition by GDF of GCT with the consideration comprising 1.6 GDF units for each GCT unit;
- through the scheme of arrangement, the acquisition by GHL of GCL with the consideration comprising 1.6 GHL shares for each GCL share; and
- the re-stapling of GDF units and GHL shares on a one for one basis, to form the GARDA stapled securities.

A total of 42,288,002 GARDA stapled securities, in the form of GDF units and GHL shares, was issued as purchase consideration.

The internalisation was formally completed on 29 November 2019 which is the deemed acquisition date for consolidation purposes. Trading in GARDA stapled securities on the ASX commenced on a deferred settlement basis on 20 November 2019 and on a normal basis from 2 December 2019.

GARDA Property Group

Details of the purchase consideration, the net assets acquired and goodwill recognised by GARDA are as follows:

PURCHASE CONSIDERATION	\$000
Securities issued as consideration	58,992

The fair value of the ordinary securities issued is recognised at \$2.23 per security which is based on the listed security price of GDF of \$1.395 at the date of acquisition of 29 November 2019 at an exchange multiplier of 1.6.

The fair values of assets and liabilities recognised as a result of the acquisition are as follows:

	FAIR VALUE \$000
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
	39,761
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)
	(14,355)
Total identifiable net assets at fair value acquired	25,406
Goodwill	33,586

The above fair values (excluding cash) have been determined on provisional asset and liability values. Adjustments to these provisional values are expected to be finalised by 30 June 2020. AASB 3 Business Combinations permits GARDA to finalise adjustments up to 12 months after the date of acquisition.

The goodwill represents the value to GARDA of GCM's business operations, expected cost synergies and enhanced growth opportunities stemming from an internalised business model.

Revenue and profit contributions

From the date of acquisition to 31 December 2019, the acquired businesses contributed revenues of \$988,000 and a net profit of \$593,000 to the Group. Revenue and net profit figures include distribution income and fair value gain on Treasury Securities and are before any eliminations which arose on group consolidation.

Internalisation related costs

Internalisation related costs of \$1,197,000 are included in the Statement of Profit and Loss and Other Comprehensive Income and internalisation related costs of \$58,000 are included in the Statement of Financial Position as a deduction against equity.

GARDA Holdings Limited

Details of the purchase consideration, the net assets acquired and gain on bargain purchase recognised by GHL as a result of the internationalisation are as follows:

PURCHASE CONSIDERATION	\$000
Shares issued as consideration	-

The assets and liabilities recognised as a result of the acquisition are as follows:

	FAIR VALUE \$000
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
	10,229
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)
	(4,042)
Total identifiable net assets at fair value acquired	6,187
Gain on bargain purchase	(6,187)

The above fair values (excluding cash) have been determined on provisional asset and liability values. Adjustments to these provisional values are expected to be finalised by 30 June 2020. AASB 3 Business Combinations permits GARDA to finalise adjustments up to 12 months after the date of acquisition.

The acquisition of GCL by GHL resulted in a gain on bargain purchase amount which is 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 goodwill arising on the acquisition of GCT by GDF resulting in GARDA's goodwill on acquisition of \$33,586,000.

The GARDA Statement of Financial Position reflects GDF as the acquirer or deemed parent of the Group and therefore consolidates GHL and its subsidiaries (including GCL and its subsidiaries).

Revenue and profit contributions

From the date of acquisition to 31 December 2019, the acquired businesses contributed revenues of \$386,000 and a net profit of \$50,000 to the GHL. Revenue and net profit figures are before any eliminations arising on consolidation.

Note 14

Contingent Assets and Liabilities

GARDA did not have any material contingent assets and liabilities as at 31 December 2019.

Note 15

Events Subsequent to the End of the Reporting Period

GARDA is well advanced in restructuring its existing debt facilities with St. George Bank (current limit \$131.6 million) and ANZ Banking Group (current limit \$49.1 million). The new debt structure is expected to be a \$200 million syndicated facility, increasing GARDA's borrowing capacity by \$19.3 million. Negotiations with the participating banks are in progress and financial close is expected to occur in the short term.

In February 2020, the Group renegotiated and executed a new lease with Planet Innovation at Elgar Road, Box Hill for all of the building, totalling 5,702m². The lease is for a seven year term from 1 December 2020 with two times three year options.

Development work for a 5,200m² building at the vacant land at 498 Progress Road, Wacol has commenced in February 2020.

There are no other significant matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect, the operations of GARDA, the results of those operations, or the state of affairs of GARDA, in future periods.

04

Directors' Declaration

Directors' Declaration

In the opinion of the Directors of GARDA Property Group:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors of GARDA Property Group, comprising GARDA Holdings Limited and its controlled entities and GARDA Capital Limited, the responsible entity of GARDA Diversified Property Fund made pursuant to section 303(5) of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'M. B.', enclosed within a horizontal oval shape.

Matthew Madsen
Executive Chairman

20 February 2020

05

Independent
Auditor's
Review
Report to the
Members



Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

Independent Auditor's Review Report

**To the Stapled Security Holders of GARDA Property Group and
the Share Holders of GARDA Holdings Limited.**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of GARDA Property Group and GARDA Holdings Limited and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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KEN OGDEN	MARK NICHOLSON	JASON EVANS	KYLIE LAMPRECHT	BRETT HEADRICK	NIGEL BATTERS	SIMON CHUN	TOM SPATT	DANIEL COLWELL	FELICITY CRIMSTON
NIGEL FISCHER	PETER CAMENZULI	IAN JONES	NORMAN THURECHT	WARWICK FACE	COLE WILKINSON	JEREMY JONES	JAMES FIELD	ROBYN COOPER	

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.


PITCHER PARTNERS
WARWICK FACE
Partner

Brisbane, Queensland
20 February 2020

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06

Corporate
Directory

Corporate Directory

Directors

Matthew Madsen
Executive Chairman

Mark Hallett
Executive Director

Philip Lee
Non-executive Director

Morgan Parker
Independent Director

Company Secretary

Lachlan Davidson
General Counsel and Company Secretary

Registered Office

Level 21, 12 Creek Street
Brisbane QLD 4000

p +61 7 3002 5300
f +61 7 3002 5311
w www.gardaproperty.com.au

Auditors

Pitcher Partners
Level 38, 345 Queen St
Brisbane QLD 4000

p +61 7 3222 8444
f +61 7 3221 7779

Share Registry

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

p +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**)

