

GARDA

GARDA PROPERTY GROUP (ASX: GDF)

Annual Financial Report 2022



GARDA PROPERTY GROUP

Comprising
GARDA Holdings Limited (ACN 636 329 774)
and
GARDA Diversified Property Fund
(ABN 17 982 396 608, ARSN 104 391 273)



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GARDA Property Group

Annual Financial Report
30 June 2022

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

CHAIRMAN'S REPORT

Dear Securityholders,

On behalf of the Board, I am pleased to report GARDA performed well in all aspects of its business in FY22.

The strategic and operational decisions made in prior years continue to deliver exceptional outcomes for the Group.

Investor returns

I'm pleased to advise GARDA's return on equity for the year was 46.3%.

The GARDA security price appreciated by 19% over the 12 months, delivering a total securityholder return of 25.1%.

Financial result

Total distributions of 7.2 cents per security were paid in respect of FY22, representing a payout ratio of 90.2%.

GARDA's total assets grew by \$176.2 million or 34.0% during the year, primarily due to increased valuations. This is reflected in a 41.4% increase in NTA per security to \$2.05.

At year end, gearing was 35.6%, consistent with our targeted range of 30-35%.

Portfolio outcomes

The first stage (6,214m² at 69 Peterkin Street) of our Acacia Ridge development was completed with the pre-committed tenant's lease commencing on 1 February 2022.

DA approvals have been obtained for the second stage of the Acacia Ridge project (38-56 Peterkin Street) as well as at North Lakes and the Pinnacle East on Progress Road, Wacol project.

An industrial development site at Richlands settled in September 2021 and, with a tenant recently secured for the entire site, the DA approval process is in train.

During the year, leasing totalling 24,410m² has been achieved at the Wacol and Richlands projects, with strong tenant enquiry for the 15,000m² at 38-56 Peterkin Street, Acacia Ridge.

Our \$20.1 million acquisition of an established office property in Hawthorn East is noteworthy:

- the vendor of the property became a tenant of our Botanicca 9 building in Richmond;
- the building has been revalued in vacant possession at \$22.0 million, a 9.5% increase over purchase price;
- \$3.5 million of capital improvements are well-advanced; and
- a tenant for 33% of the building by net property income will commence on 1 September 2022.

Sustainability

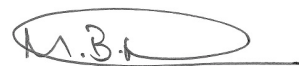
Sustainable business practices have always been inherent in our activities, so I am pleased to report that our formal sustainability reporting commenced in FY22.

I commend our FY22 Sustainability Report, published online concurrently with this Annual Report, to you.

Acknowledgements

I would like to acknowledge and thank Philip Lee, who stepped down from the Board at the FY21 annual general meeting. Philip's contributions to GARDA, particularly through its initial public offering, capital raisings and internalisation transaction, were invaluable.

I would also like to thank our investors for their continuing support and the Board and our management team for their continuing endeavours.



Matthew Madsen
Executive Chairman
1 August 2022



FY22 HIGHLIGHTS¹

RETURNS TO INVESTORS

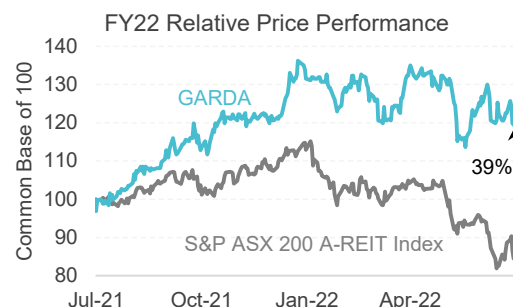
TSR

25.1%

ROE

46.3%

Distributions

7.2 cps

PORTFOLIO OUTCOMES

Significant changes since 30 June 2021:

- 31.1% increase in portfolio value
- WALE maintained above five years
- 24,410m² of industrial projects leased
- 29,613m² of established portfolio leased

Portfolio value

\$650.7m

Occupancy

90.7%

WACR

5.05%

WALE

5.7yrs

FINANCIAL OUTCOMES

NTA per security

\$2.05

Gearing

35.6%

Tax advantaged income

81.6%

Payout ratio

90.2%

Significant changes since 30 June 2021:

- 41.4% increase in NTA per security
- 2.8% decrease in gearing
- \$52 million increase in debt facilities plus a further \$40 million increase after year end
- 3.7 year term on debt facilities

¹ Please refer to Glossary for definitions.

OPERATIONAL REVIEW²

STRATEGY

GARDA's objective is to deliver enduring value to securityholders through our expertise in real estate.

In pursuing this objective, GARDA acts as a long-term owner of real estate, being market cycle aware and seeking out only those risks we wish to take.

GARDA's strategic focus is 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.

Considered positions taken by the Group in support of its objective include:

- **Industrial focus:** acquiring well-located industrial properties and development sites such that industrial properties now comprise more than half of the GARDA portfolio;

- **Geographic selection:** focusing on markets with attractive economics e.g., strong growth prospects and low tenant incentives;
- **Building to own:** developing and holding new assets rather than acquiring established assets at an expensive time in the real estate cycle;
- **Capital management:** utilising debt facilities and recycling non-core assets to fund growth rather than issuing dilutive equity; and
- **Commercial lending:** providing debt capital to third party developers to augment Group returns and value.

Execution of GARDA's strategy is undertaken in a risk aware manner with decisions being taken in the context of geopolitical tensions, rising inflation and increasing interest rates (which are directly impacting borrowing costs, discount rates and capitalisation rates).

INVESTMENT PORTFOLIO³

Overview

30 June 2022	Industrial		Office	Total
	Established	To Develop ⁴		
Number of properties	7	5	5	17
Independent valuation (\$m)	241.0	113.1	289.5	643.6
Value accretive capital expenditure (\$m)	0.2	1.2	4.5	5.9
Occupancy (%)	100.0	-	84.4	90.7
WALE (years)	6.5	-	5.1	5.7
WACR (%)	4.49	-	5.54	5.05

At 30 June 2022, GARDA's investment property portfolio was valued at \$650.7 million, with approximately 55% of the portfolio comprising industrial buildings and land.

GARDA seeks to acquire properties located in precincts supported by existing or planned infrastructure and where demand for industrial or office buildings is expected to be strong.

The Group's industrial properties are primarily located in Brisbane's south-west industrial corridor, in close proximity to the Brisbane airport and port or in high growth regions such as North Lakes, Brisbane.

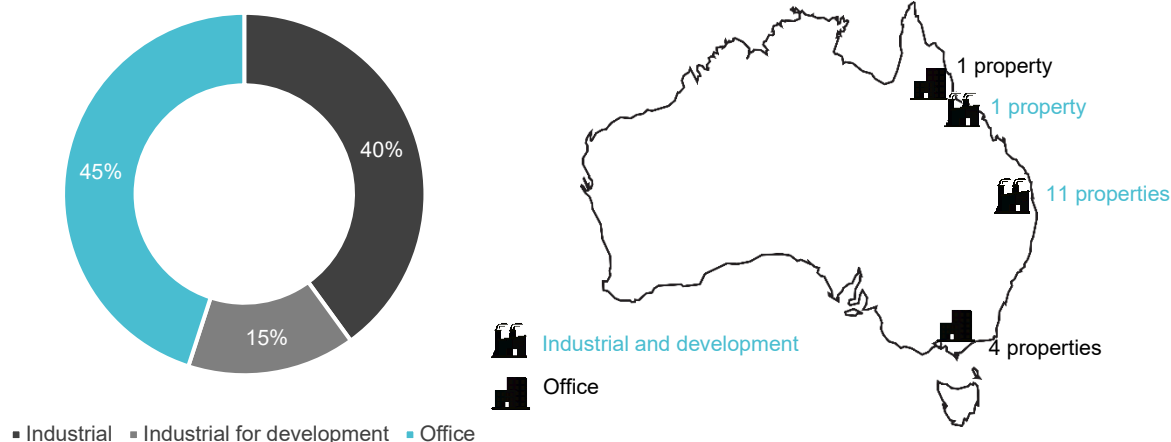
GARDA owns four office buildings located in fringe CBD locations in Melbourne and the premier commercial office building in Cairns.

² Please refer to Glossary for definitions.

³ Excludes a residential block of land in Townsville held through a subsidiary of the Company and valued at \$1,250,000.

⁴ Includes 100% of Pinnacle West (approximately one-third developed).

Valuation at 30 June 2022



Transactions

Since the beginning of the FY22 financial year, GARDA has completed the acquisitions of an industrial development site at Richlands, Queensland and a commercial office building in Hawthorn East, Victoria for a combined value of \$26.9 million.

The acquisitions were consistent with GARDA's strategy of acquiring well-located commercial assets and industrial development sites, which is reflected in a 32.7% increase in their combined values to \$35.7 million at 30 June 2022.

	Richlands	Hawthorn East
Address	56-72 Bandara St	8-10 Cato St
Sector	Industrial development	Office
Purchase price (\$m)	6.8	20.1
Latest independent valuation (\$m)	13.7	22.0
Settlement date	September 2021	March 2022
Land size (m ²)	30,351	1,124
NLA (m ²)	13,000	3,654

Offsetting these acquisitions was the sale of our Lytton property in September 2021 for \$11.0 million (a 26.1% premium to valuation). Subsequently to year end, our two Richmond properties, Botanicca 7 and Botanicca 9, (currently valued at \$63,500,000 and \$68,500,000, respectively) were identified as non-core to GARDA's strategy and portfolio and will be offered for sale.

Developments

GARDA achieved practical completion on Stage 1A of its 6,214m² industrial development at 69 Peterkin Street, Acacia Ridge in December 2021. Austrans commenced an initial lease for a seven-year term on 1 February 2022.

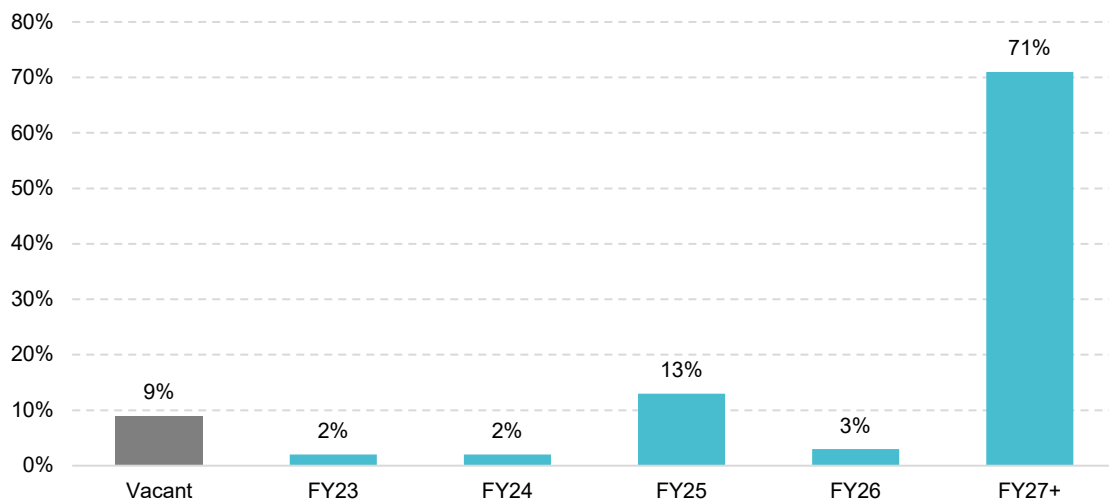
The status of GARDA's other industrial development projects in Brisbane is summarised in the following table:

Project	Estimated GFA m ²	Status of DA approval	Estimated completion date	Current independent valuation \$m
Acacia Ridge				
Stage 1B, 69 Peterkin Street	4,575	-	-	4.2
38-56 Peterkin Street	15,000	granted	Apr 2023	18.0
Morningside	5,700	granted	-	51.0
North Lakes	97,000	granted	2024-2026	45.0
Richlands	13,000	pending	Jun 2023	13.7
Wacol				
Pinnacle East (372 Progress Road)	13,745	granted	-	11.0
Pinnacle West (498 Progress Road excluding Bldg C)	11,410	granted	Feb 2023	10.5
Total	160,430	-	-	153.4

Leasing

In the year to 30 June 2022, 16,553m² of NLA was contracted or recontracted in the established portfolio and 24,410m² of NLA was contracted in the development pipeline.

GARDA's lease expiry profile at 29 July 2022 was as follows:



Tenant profile

GARDA has a diversified base of tenants by ownership structure and industry. The high proportion of tenants being government, listed or multinational, with none being heavily exposed to the retail and consumer discretionary sectors, meant that COVID-19 has had minimal impact on GARDA to date.

Top 10 Tenants (30 June 2022)	Type	% of Portfolio Gross Income	Expiry
J Blackwood & Son	Industrial	9.4%	Jan 29
Planet Innovation	Office	9.0%	Nov 30
Volvo Group	Industrial	8.8%	Jul 28
Komatsu	Industrial	6.4%	Jul 23
Golder Associates	Office	6.2%	Jan 25
Pinkenba Operations	Industrial	5.6%	Aug 33
Fujifilm Business Innovation	Office	4.9%	Jun 28
Queensland Government (DTMR)	Office	4.9%	Nov 28
Fulton Hogan	Office	3.4%	Jun 28
McLardy McShane	Office	3.4%	Feb 28
Total Top 10		62.0%	

Valuations

The basis of valuation of investment properties is fair value. Fair values are based on market values, being the price that would be received to sell an asset in an orderly transaction between market participants at balance date.

Fifteen of GARDA's properties were externally valued for the FY22 Annual Report, with the balance of the portfolio being carried at directors' valuation.

The valuations of GARDA's investment properties, including value accretive capital expenditure, as at 30 June 2022 are shown in the following table.

As at 30 June				2022	2021	Movement
		Sector ⁵	Value ⁶	\$000	\$000	\$000
Company held						
Townsville	30 Palmer Street	R	E	1,250	1,250	-
Fund - Industrial						
Acacia Ridge ⁷	38-56 Peterkin Street	D	E	18,000	13,200	4,800
Acacia Ridge ⁸	69 Peterkin Street	I	E	23,000	11,000	12,000
Berrinba	1-9 Kellar Street	I	E	14,000	11,975	2,025
Heathwood ⁹	67 Noosa Street	I	E	18,250	11,800	6,450
Mackay	69-79 Diesel Drive	I	E	39,200	35,000	4,200
Morningside	326 & 340 Thynne Road	I	E	51,000	43,725	7,275
North Lakes	109 – 135 Boundary Road	D	E	45,000	20,000	25,000
Pinkenba	70-82 Main Beach Road	I	E	34,000	26,200	7,800
Richlands	56-72 Bandara Street	D	E	13,660	-	13,660
Wacol	41 Bivouac Place	I	E	61,500	45,400	16,100
Wacol	372 Progress Road (Pinnacle East)	D	E	11,000	4,410	6,590
Wacol ¹⁰	498 Progress Road (Pinnacle West)	I	E	14,900	12,500	2,400
Wacol ¹⁰	498 Progress Road (Pinnacle West)	D	E	10,550	9,826	724
Value accretive capital expenditure		D	D	1,263	1,722	(459)
Value accretive capital expenditure		I	D	167	-	167
				355,490	246,758	108,732
Fund - Office						
Box Hill	436 Elgar Road	O	D	45,500	39,000	6,500
Cairns	9-19 Lake Street	O	D	90,000	86,500	3,500
Hawthorn East	8-10 Cato Street	O	E	22,000	-	22,000
Richmond ¹¹	572-576 Swan Street (Botanicca 7)	O	E	63,500	54,000	9,500
Richmond ¹¹	588A Swan Street (Botanicca 9)	O	E	68,500	57,000	11,500
Value accretive capital expenditure		O	D	4,493	1,062	3,431
				293,993	237,562	56,431
Total investment properties (non-current assets)				650,733	485,570	165,163
Fund - Current						
Lytton	142-150 Benjamin Place	I	sold	-	10,675	(10,675)
Total investment properties (current assets)				-	10,675	(10,675)
Total investment properties				650,733	496,245	154,488

⁵ I = established industrial. D = industrial development. O = commercial office. R = residential land.

⁶ D = Directors' valuation. E = external, independent valuation.

⁷ 38 Peterkin Street was valued as a \$6,200,000 established asset in FY21 but joined 56 Peterkin Street as a development asset in FY22.

⁸ 69 Peterkin Street was valued as an \$11,000,000 development asset in FY21 but, upon completion of the first stage of construction in December 2021, became an established asset in FY22. The value of the remaining land for development is \$4,200,000.

⁹ The Heathwood property was being held for sale (current asset) at 31 December 2021. However, following the decision to dispose of our two office buildings in Richmond (refer note 11 below), the Heathwood property is no longer being held for sale and has been re-classified as a non-current asset.

¹⁰ Building C at 498 Progress Road, Wacol was completed in May 2021. The remaining undeveloped land at 498 Progress Road, independently valued at \$10,550,000 is reported as industrial land for development.

¹¹ Subsequently to year end, Botanicca 7 and Botanicca 9 are to be offered for sale.

FINANCIAL SUMMARY¹²

FINANCIAL PERFORMANCE

Key metrics

Year ended 30 June	2022	2021	Change
FFO (\$000)	16,653	16,167	486
Distributions (\$000)	15,018	15,017	1
Payout ratio	90.2%	92.9%	(2.7%)

Funds from operations

GARDA recorded statutory net profit after tax for the year of \$140,519,000 (FY21: \$35,689,000). This 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 FFO.

Year ended 30 June	2022 \$000	2021 \$000
Net profit after tax	140,519	35,689
Adjustments for non-cash items included in net profit after tax:		
Valuations – (deduct increases) / add back decreases:		
Investment properties	(111,642)	(50,671)
Derivatives	(12,832)	(3,593)
Goodwill impairment	-	33,586
Asset disposals – (deduct gains) / add back losses:		
Investment properties	511	(881)
Other accounting reversals – (deduct income) / add back expenses:		
Security based payments	669	740
Net lease contract and rental items	(611)	(644)
Other	39	60
Adjustments for one-off items:		
Add rental guarantee income ¹³	-	2,000
Deduct COVID-19 government grants	-	(119)
FFO¹⁴	16,653	16,167

COVID-19

COVID-19 did not have a material impact on GARDA's revenue in the financial year.

¹² Please refer to Glossary for definitions.

¹³ GARDA's purchases of 56 and 69 Peterkin Street, Acacia Ridge on 5 July 2019 included provision for the receipt by GARDA of \$2,000,000 in rental guarantees at any time in the subsequent two years. In accordance with Australian Accounting Standards, this amount was recorded as an asset in GARDA's FY20 financial statements. In July 2020, GARDA released the rental guarantee into general funds. The Directors considered the rental guarantee to be part of underlying FY21 earnings warranting inclusion in reported FFO in that year.

¹⁴ Pursuant to Australian Accounting Standards, treasury securities and employee security plan securities and the distributions attaching thereto are not included in statutory accounts.

FINANCIAL POSITION

Key Metrics

	2022	2021
NTA per stapled security	\$2.05	\$1.45
Gearing	35.6%	38.4%
LVR	40.4%	43.2%

Net tangible assets

GARDA experienced a 41.4% increase in NTA per security in FY22 driven by:

- increases in independent valuations driven by leasing outcomes, development process progress and declining cap rates;
- acquisitions of an industrial development site at Richlands and a commercial office building at Hawthorn East below independent valuation; and
- completion of development of stage 1A at 69 Peterkin Street, Acacia Ridge.

Borrowings

At 30 June 2022, GARDA had \$20,000,000 of borrowing capacity available, a weighted average cost of debt (fully drawn) of approximately 3.00% (FY21: 2.20%) and gearing of 35.6% (FY21: 38.4%).

On 29 July 2022, GARDA announced a \$40 million increase in its \$280 million syndicated debt facility, taking the facility to \$320 million.

Derivatives

GARDA has in place a \$100,000,000 hedge comprising:

- a \$70,000,000 interest rate swap expiring 4 March 2027 at a rate of 0.82%; and
- a \$30,000,000 interest rate swap expiring 4 March 2030 at a rate of 0.98%.

Issued Capital

	Securities
Total GARDA issued stapled securities at 30 June 2022	227,644,361
Less:	
GARDA stapled securities held as treasury stock	(4,223,517)
GARDA stapled securities issued or transferred under the GARDA Employee Security Plan	(14,840,000)
GARDA stapled securities in accordance with Australian Accounting Standards	208,580,844

A total of 670,285 performance rights have also been granted under GARDA's Equity Incentive Plan, none of which had vested as at 30 June 2022.

SUSTAINABILITY

OVERVIEW

GARDA will be releasing its inaugural Sustainability Report this year, contemporaneously with the release of the FY22 Annual Report.

Issues pertaining to sustainability are not novel for GARDA; our objective of delivering enduring value to our partners is manifestly about operating as a sustainable business. However, our FY22 Sustainability Report is the first time we have formally captured our commitment to sustainability.

REPORTING

Our FY22 Sustainability Report has been prepared with reference to the GRI Standards, adopting an environmental, social and governance framework.

A discovery process was undertaken to identify GARDA's most significant impacts on the economy, environment and people and these impacts were prioritised and distilled into five material topics for analysis and reporting.

FY22 HIGHLIGHTS

4.9

NABERS
Portfolio energy
rating

4.7

NABERS
Portfolio water
rating

0

Safety
Staff health and
safety incidents

0%

Engagement
Unplanned staff
departures

100%

Alignment
Staff equity
ownership

CASE STUDIES

Material topic: efficient operations



Since July 2017, GARDA has undertaken an extensive capital improvement program on its office building in Cairns, including replacement of the chiller plant, building management system, main electrical switchboard and lift motors and controls.

Material energy efficiency gains were achieved for the benefit of GARDA and its tenants:

Annual data	Units	2017	2022	Delta
Consumption	000 MJ	6,365	5,152	(19)%
Emissions	t CO ₂ -e	1,415	1,139	(20)%
Emissions intensity	t CO ₂ -e/m ²	117.1	92.4	(21)%
NABERS Energy	*	4.0	5.0	1.0*
Occupancy	%	81	93	12%

Material topic: sustainable development



13,849 tonnes
Waste generated



99.7% recycled

13,841 tonnes
Waste recycled

Development of GARDA's industrial property at 69 Peterkin Street, Acacia Ridge was completed during FY22.

Site preparation included the demolition of an existing building, generating almost 14,000 tonnes of waste (excluding 1,300 tonnes of asbestos contaminated materials).

Consistent with its sustainability principles, GARDA was able to recycle 99.7% of the demolition waste generated.

Material	Waste	Recycled Use
Concrete	12,405t	100% Aggregate, road base
Asphalt	1,183t	100% Aggregate, road base
Construction demolition	25t	70% Mulch, roads, line bases, aggregate,
Scrap steel	236t	100% Construction

BOARD OF DIRECTORS



Matthew Madsen
Executive Chairman

Appointed September 2011

Professional experience

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) 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.

Qualifications

Diploma in Financial Services, Diploma in Financial Markets, Affiliate member of the Securities Institute of Australia.

Ordinary securities: 6,940,000
ESP securities: 10,960,000



Mark Hallett
Executive Director

Appointed January 2011
Executive Director from February 2020

Professional experience

Mark has more than 30 years' industry and legal experience. After qualifying as a solicitor, he had 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 and corporate restructuring.

Qualifications

Bachelor of Laws

Ordinary securities: 1,609,469
ESP securities: 1,000,000



Philip Lee
Non-Executive Director

Retired November 2021
Appointed May 2015
Member of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee

Professional experience

Philip has over 34 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.

Qualifications

Bachelor of Commerce, Member of the AICD, Senior Fellow of Finsia, Master Practitioner Member of the Stockbrokers and Financial Advisers Association.

Ordinary securities: 216,828



Paul Leitch
Independent Director

Appointed March 2020
Member of the Audit, Risk and Sustainability Committee
Chair of the Nomination and Remuneration Committee

Professional experience

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 is a director of Charles Porter and Sons and Relewell Australia and is Chair of Pathways to Resilience, a Queensland charitable organisation.

Qualifications

Bachelor of Arts (Music), post graduate qualifications in Education, Member of the AICD, Member of Australian Human Resources Institute

Ordinary securities: 47,411



Morgan Parker
Independent Director

Appointed December 2018
Chair of the Audit, Risk and Sustainability Committee
Member of the Nomination and Remuneration Committee

Professional experience

Morgan has more than 25 years' experience as a real estate investor, developer and banker. Morgan is currently Chair of SunCentral Maroochydore and a director of Newcastle Airport, Qiddiya Coast Company and Saudi Entertainment Ventures. He is also a member of the advisory board for UbiPark Pty Ltd. 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.

Qualifications

Bachelor of Laws, Graduate of the AICD

Ordinary securities: nil



Andrew Thornton
Non-Executive Director

Appointed March 2020
Member of the Audit, Risk and Sustainability Committee
Member of the Nomination and Remuneration Committee

Professional experience

Andrew is a director 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 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 a director of HGT Investments Pty Ltd, GARDA's largest securityholder.

Qualifications

Bachelor of Business, Member of the AICD

Ordinary securities: 1,126,065

DIRECTORS' REPORT¹⁵

Introduction

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 2022 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 the Fund.

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
Mark Hallett	Executive Director
Philip Lee	Non-executive Director (retired 25 November 2021)
Paul Leitch	Independent Director
Morgan Parker	Independent Director
Andrew Thornton	Non-executive Director

Company Secretary

GARDA's Company Secretary and General Counsel throughout FY22 was Lachlan Davidson. He has been Company Secretary since July 2016.

Lachlan has over 20 years' experience in corporate law, fund raising and managed investments.

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

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.

Group strategy

GARDA's objective is to deliver enduring value to securityholders through its expertise in real estate.

In pursuing this objective, GARDA acts as a long-term owner of real estate, being market cycle aware and seeking out only those risks it wishes to take.

GARDA's strategic focus is on equity investment into the industrial and commercial office sectors and debt investment into residential developments.

Review of operations

A detailed review of operations, including details of GARDA's properties, is provided in the Operational Review commencing on page 3.

Financial result

GARDA recorded statutory net profit after tax for FY22 of \$140,519,000 (FY21: \$35,689,000). This 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.

After adjusting for these items, GARDA's funds from operations (FFO) for FY22 were \$16,653,000 (FY21: \$16,167,000) and a reconciliation to statutory net profit after tax is provided in the Financial Summary commencing on page 8.

¹⁵ Please refer to Glossary for definitions.

Dividends and Distributions

The table below provides details of distributions¹⁶ paid by GARDA in respect of the financial year:

	Dividend per security	Distribution per security	Total per security	Total \$000	Franked amount	Record date	Payment date
2022							
Interim	-	1.80c	1.80c	3,755	-	30 Sep 21	15 Oct 21
Interim	-	1.80c	1.80c	3,755	-	31 Dec 21	19 Jan 22
Interim	-	1.80c	1.80c	3,754	-	31 Mar 22	14 Apr 22
Final	-	1.80c	1.80c	3,754	-	30 Jun 22	15 Jul 22
	-	7.20c	7.20c	15,018	-		
2021							
Interim	-	1.80c	1.80c	3,755	-	30 Sep 20	16 Oct 20
Interim	-	1.80c	1.80c	3,754	-	31 Dec 20	20 Jan 21
Interim	-	1.80c	1.80c	3,754	-	31 Mar 21	20 Apr 21
Final	-	1.80c	1.80c	3,754	-	28 Jun 21	15 Jul 21
	-	7.20c	7.20c	15,017	-		

Outlook

GARDA will continue to execute its strategy in FY23 with the key objectives including:

- increasing occupancy levels through the leasing of remaining space in Botanicca 9 (until sale), and Hawthorn East;
- completing industrial development work at 38-56 Peterkin Street, Acacia Ridge, Buildings A and B at Pinnacle West and Richlands;
- commencing initial bulk earth and civil works at North Lakes; and
- managing ongoing capital requirements and gearing levels.

Execution of our strategy will be undertaken in a risk aware manner in the context of geopolitical tensions, rising inflation and increasing interest rates (which are directly impacting borrowing costs, discount rates and capitalisation rates).

Subsequent events

As disclosed in the Operational Review, our two Richmond properties, Botanicca 7 and Botanicca 9 are to be offered for sale.

On 29 July 2022, GARDA announced a \$40 million increase in its \$280 million syndicated debt facility, taking the facility to \$320 million.

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.

Significant changes in state of affairs

Other than as set out in this Annual Report, there were no significant changes in the operating activities of the Group (including controlled entities) during the year.

Corporate governance

GARDA's Corporate Governance Statement may be found on page 72 of this Annual Report.

¹⁶ Total distributions exclude distributions paid in respect of treasury securities and securities granted under the GARDA employee security plan.

Meetings of Directors

Attendance at meetings of Directors during the year was as follows:

	Board of Directors		Nomination and Remuneration Committee		Audit, Risk and Sustainability Committee	
	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
Matthew Madsen ¹⁷	10	10	4	invited	2	invited
Mark Hallett ¹⁷	10	10	4	invited	2	invited
Philip Lee ¹⁸	5	5	2	2	1	1
Paul Leitch	10	10	6	6	2	2
Morgan Parker	10	10	6	6	2	2
Andrew Thornton	10	10	6	6	2	2

Directors' remuneration

Directors' remuneration is set out in the Remuneration Report commencing on page 17.

Remuneration of officers

Remunerated officers of the Group other than the directors are the Chief Operating Officer and Company Secretary. Their remuneration arrangement, including equity grants, are described in the Remuneration Report on pages 17-26. Additional details about the GARDA Employee Security Plan and GARDA Equity Incentive Plan are disclosed in note 19.

Unissued securities under options or performance rights

Details of performance rights issued to employees during the year, including performance rights outstanding at 30 June 2022 and up to the date of this report, are disclosed in note 19.

Securities issued on the exercise of options or performance rights

There were no securities issued during the year and up to the date of the report as a result of the exercise of options or rights over unissued securities in GARDA.

Audit, Risk and Sustainability Committee

The Audit, Risk and Sustainability Committee comprising independent and non-executive directors meets regularly with the management team and auditor to consider the nature and scope of the assurance activities, the effectiveness of the risk and control systems, and monitor GARDA's sustainability initiatives.

Auditor

Pitcher Partners has been appointed as auditor of the Group.

Securityholder details

A summary of GARDA's substantial securityholders and 20 largest securityholders is provided on page 73.

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.

¹⁷ Matthew Madsen and Mark Hallett were not members of the Nomination and Remuneration Committee or the Audit, Risk and Sustainability Committee and attended meetings by invitation.

¹⁸ Philip Lee resigned from the Board on 25 November 2021.

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 2022.

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.

Environmental regulation

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.

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 thousand dollars, or in certain cases, to the nearest dollar.

Non-audit services

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, Risk and Sustainability 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 on page 27 following the Remuneration Report.

REMUNERATION REPORT (AUDITED)¹⁹

CHAIR OF THE NOMINATION AND REMUNERATION COMMITTEE



Dear Securityholder,

As Chair of the Nomination and Remuneration Committee, I am pleased to present GARDA's Remuneration Report for the year ended 30 June 2022.

Approach to remuneration

Our people are critical to the pursuit, and achievement, of our corporate objective of delivering enduring value to our securityholders.

The Committee has been charged by the Board with ensuring GARDA continues to attract and retain motivated individuals who have the requisite talent, expertise, experience and relationships to take the Group forward.

Our remuneration practices are designed to be market competitive and to closely align the interests of our people with those of our securityholders.

Changes to remuneration practices

At the Annual General Meeting in November 2021, securityholders approved a new Equity Incentive Plan pursuant to which performance rights and exempt securities were awarded during FY22. Details are provided later in this report.

The new Plan brought GARDA in line with the remuneration practices adopted by many of our ASX peers and, based on feedback from employees and continuing low staff turnover rates, appears to have been well-received.

FY22 performance and outcomes

GARDA has enjoyed a particularly successful year. Acquisitions and developments have been successfully prosecuted and pleasing leasing outcomes have been achieved.

These activities are reflected in a 41.4% increase in NTA per security to \$2.05 during the year and a highly competitive return on equity of 46.3%.

The executive team also made substantial progress on culture, risk management and sustainability, which the Board believes has underpinned our performance in FY22 and positioned GARDA for the future.

With all performance and services hurdles likely to be achieved, one-third of the December 2021 tranche of performance rights is expected to vest on 31 August 2022.

Conclusion

This Remuneration Report has been approved by the Board and is intended to be a useful and informative document, while also complying with our statutory obligations.

I commend this Remuneration Report to you.

Yours sincerely,

Paul Leitch
Independent Director
Chair of Nomination and Remuneration Committee
1 August 2022

¹⁹ Please refer to Glossary for definitions.

1. BASIS OF PREPARATION

This Remuneration Report is in respect of the financial year ended 30 June 2022. It provides information about remuneration arrangements for key management personnel (**KMP**), including Non-executive Directors, Executive Directors and other senior executives.

The Remuneration Report has been prepared in accordance with section 300A of the *Corporations Act 2001 (Cth)* (**Act**), has been audited as required by section 308(3C) of the Act, and forms part of the Directors' Report.

2. KEY MANAGEMENT PERSONNEL

The following persons had authority and responsibility for planning, directing and controlling the activities of GARDA during the financial year:

KMP	Role	Term
Independent Directors and Non-executive Directors		
Philip Lee	Non-executive Director	Part year to 25 November 2021
Paul Leitch	Independent Director	Full term
Morgan Parker	Independent Director	Full term
Andrew Thornton	Non-executive Director	Full term
Executive Directors		
Matthew Madsen	Executive Chairman	Full term
Mark Hallett	Executive Director	Full term
Other Senior Executives		
David Addis	Chief Operating Officer	Full term
Lachlan Davidson	General Counsel & Company Secretary	Full term

3. REMUNERATION GOVERNANCE

The Board has an established Nomination and Remuneration Committee (**Committee**) which operates under the delegated authority of the Board. The role of the Committee is captured in its Charter which is published on GARDA's website.

The roles and responsibilities of the Committee pertaining to remuneration include:

- evaluating the performance of the Board, including committees and individual Non-executive Directors;
- making recommendations to the Board regarding the remuneration of Non-executive Directors;
- assessing the performance of Executive Directors and reviewing their remuneration arrangements;
- reviewing the appropriateness and application of short-term and long-term incentive schemes and policies for executives and staff;
- seeking to align remuneration to the values, risk appetite and performance of GARDA and the individual performance of executives; and
- ensuring appropriate human resources management programs, including performance assessment programs, are in place.

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

Management may make recommendations to the Committee in relation to the development and implementation of reward strategy and structure.

During FY22, the members of the Committee were:

Director	Role	Term
Paul Leitch	Independent Director, Chair of Committee	Full term
Philip Lee	Non-executive Director	Part year to 25 November 2021
Morgan Parker	Independent Director	Full term
Andrew Thornton	Non-executive Director	Full term

4. REMUNERATION PHILOSOPHY

The Board recognises the critical role people play in the:

- execution of our strategy;
- achievement of our corporate objectives; and
- the delivery of enduring value to our securityholders.

Our people are also a key differentiator and source of competitive advantage relative to our peers.

Accordingly, a strategic priority is to attract, motivate and retain motivated individuals who have the requisite talent, expertise, experience and relationships. In practice this means that our remuneration must not only be market competitive but must also closely align the interests of our people with those of our securityholders.

5. APPROACH TO NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive Directors are paid a fixed amount of remuneration comprising base salary or fees and statutory superannuation and are not eligible to receive cash incentives, security-based compensation or other retirement benefits.

Factors that are considered when setting fees for Non-executive Directors include:

- the workload, skills and experience required for the role;
- fees paid to Non-executive Directors of comparable organisations;
- the attributes, profile and reasonable expectations of the individuals; and
- the quantum or pool formally approved by securityholders for remuneration of Non-executive Directors. The approved pool is currently \$600,000 per annum of which \$305,620 was utilised in FY22.

6. APPROACH TO EXECUTIVE REMUNERATION

6.1 Summary

Within the context of GARDA's financial performance and position, the Board and Committee seek to find a balance between:

- fixed and at-risk remuneration;
- short-term and long-term incentives; and
- amounts paid in cash and equity interests.

The table below summarises the current executive remuneration structure.

Component	Primary purpose	Benchmarks and hurdles	Delivery
Fixed remuneration	Attract and retain talent	- Comparable groups - Individual employee attributes	- Base salary - Superannuation - Employment benefits - Salary sacrifice benefits
Short term incentive (STI)	- Align executive outcomes with annual goals for Group - Reward individual achievement	- FY22 Group goals - Funds from operations - Net tangible assets - Board discretion	Cash
Long term incentive (LTI)	Align executive outcomes with longer term securityholder returns	Return on equity	- Performance rights - Loan backed employee security plan securities (pre 2022)

6.2 Fixed remuneration

Fixed remuneration for employees is reviewed annually by the Executive Chairman focusing on Group outcomes, individual performance and relevant comparative information in the market. The same process is used by the Committee when reviewing the fixed remuneration of the Executive Chairman.

Employees are provided with the opportunity to receive their base salary in a variety of forms including cash and salary sacrifice items such as additional superannuation contributions.

6.3 Short term incentive

The objective of the STI program is to link individual performance and the achievement of the Group's annual goals with employee remuneration. The STI opportunity and targets have been specified for some executives, while noting STI is discretionary and determined by the Executive Chairman.

Similarly, subject to behavioural, performance and financial hurdles, the Executive Chairman is eligible for an annual STI determined by the Committee.

All STI are paid in cash and none is based on profit measures only.

6.4 Long term incentive

GARDA currently has two long term incentive plans in place:

- Employee Security Plan* pursuant to which employees were granted LTIs in the form of stapled securities, backed by limited recourse loans; and
- Equity Incentive Plan* pursuant to which senior executives may receive offers of performance rights and all employees may receive offers of exempt securities.

Securityholder approval of the Equity Incentive Plan was achieved at the FY21 Annual General Meeting.

The primary objective of GARDA's LTI plans is to strengthen alignment between GARDA executives and securityholders by incentivising executives to act like owners. Performance rights issued to executives under the new Equity Incentive Plan will only vest, and be convertible into stapled securities, if GARDA exceeds minimum return on equity hurdles.

Performance rights will typically have a three-year measurement period. However, following securityholder approval of the Equity Incentive Plan in November 2021, the Committee determined that transition arrangements should apply to the first tranche of performance rights (refer section 8.3).

7. GROUP PERFORMANCE

The key FY22 financial metrics considered by the Committee in determining remuneration outcomes included:

		2022	2021	2020	2019	2018
NTA per security	\$	2.05	1.45	1.18	1.37	1.28
FFO	\$000	16,653	16,167	15,680	13,192	11,210
Distributions per security ²⁰	cents	7.20	7.20	8.55	9.00	9.00
Return on equity	%	46.3%	29%	23%	30%	40%
Payout ratio	%	90.2%	92.9%	104.8%	104.7%	100.7%
Gearing	%	35.6%	38.4%	36.4%	32.2%	35.3%
Security price	\$	1.54	1.29	1.00	1.40	1.17

The Committee also took into consideration the following non-financial events and outcomes:

- the continuing resilience of portfolio and income streams through the COVID-19 pandemic;
- settlement of the acquisitions of the strategically attractive Hawthorn East office building and Richlands industrial development site;
- completion of development and tenancing of 69 Peterkin Street, Acacia Ridge;
- commencement of development activities at 38-56 Peterkin Street, Acacia Ridge, Building B at Pinnacle West and North Lakes;
- successful leasing outcomes at Botanicca 9, Cairns, Hawthorn East, Pinnacle West and Richlands;
- continuing prudent management of capital;
- extending the term on our debt facilities to March 2026;
- securing competitive NABERS ratings on our operationally controlled office buildings; and
- initiating formal reporting of our sustainability commitments and practices.

²⁰ Actual distribution per security assuming holding of security for the entire financial year.

8. REMUNERATION OUTCOMES

8.1 Total KMP remuneration

The table below summarises the total remuneration provided to KMP in FY21 and FY22, calculated in accordance with statutory obligations and accounting standards:

	Short-term benefits		Long-term benefits		Security based payments					
	Salary or fees	STI cash award ²¹	Annual leave	Non-monetary benefits	Super-annuation	Long Service leave	Equity Incentive Plan ²²	Employee Security Plan ²³	Total	Performance related
Non-executive Directors										
P Lee²⁴										
FY22	35,827	-	-	-	3,583	-	-	-	39,410	-
FY21	70,566	-	-	-	6,704	-	-	-	77,270	-
P Leitch										
FY22	82,192	-	-	-	8,219	-	-	-	90,411	-
FY21	72,778	-	-	-	6,914	-	-	-	79,692	-
M Parker										
FY22	82,192	-	-	-	8,219	-	-	-	90,411	-
FY21	72,778	-	-	-	6,914	-	-	-	79,692	-
A Thornton										
FY22	83,298	-	-	-	2,090	-	-	-	85,388	-
FY21	70,566	-	-	-	6,704	-	-	-	77,270	-
Executive Directors										
M Madsen										
FY22	695,000	1,042,500	17,360	2,764	23,568	2,186	-	243,623	2,027,001	63.4%
FY21	695,000	-	10,856	1,532	21,694	628	-	514,720	1,244,430	41.4%
M Hallett										
FY22	150,000	-	-	-	-	-	-	18,877	168,877	11.2%
FY21	112,500	-	-	-	-	-	-	19,516	132,016	14.8%
Executives										
D Addis										
FY22	342,485	52,500	1,046	2,900	23,568	2,823	56,935	12,161	494,418	24.6%
FY21	331,684	20,000	3,035	1,545	21,694	981	-	82,896	461,835	22.3%
L Davidson										
FY22	262,692	30,000	3,807	-	23,568	14,979	29,928	2,318	367,292	16.9%
FY21	246,462	40,000	4,857	-	21,694	9,165	-	18,746	340,924	5.5%
Total										
FY22	1,733,686	1,125,000	22,213	5,664	92,815	19,988	86,863	276,979	3,363,208	44.3%
FY21	1,672,334	60,000	18,748	3,077	92,318	10,774	-	635,878	2,493,129	27.9%

8.2 STI outcomes

The Committee determined that the Group had achieved its corporate goals for FY22 and that the Executive Chairman had satisfied his behavioural, performance and financial hurdles. The Committee also determined that because the Executive Chairman had not received a cash incentive since GARDA's initial public offering in 2015, and because he is already a substantial securityholder, it would be appropriate to grant all of his incentives for FY22 as a cash STI. An STI award equal to 150% of salary was granted and paid in FY22.

²¹ STIs are presented on a cash basis showing STIs actually paid during the financial year. The STI paid to the Executive Chairman was in respect of FY22 while the STIs paid to other executives were in respect of FY21.

²² Approved by securityholders on 25 November 2021. Includes fair value of performance rights and exempt securities.

²³ Comprises fair value of GARDA securities granted with attaching non-recourse loans.

²⁴ Resigned from Board on 25 November 2021.

8.3 LTI outcomes

Security based payments are amortised expenses in respect of:

- stapled securities issued before FY22 under the Employee Securities Plan; and
- performance rights granted during FY22 in respect of FY21 outcomes under the Equity Incentive Plan.

Details of the first tranche (December 2021) of performance rights granted are summarised below.

Tranche:	December 2021
KMP participants:	David Addis, Chief Operating Officer Lachlan Davidson, General Counsel and Company Secretary
Grant date:	10-15 December 2021
Instrument:	Performance rights. The allocation of the LTI grants is on a face value basis using the volume weighted average price of GARDA securities over the 10 days immediately following the release of GARDA's FY21 Annual Report. Each performance right is a right to acquire one stapled security in the Group, subject to the achievement of performance and service hurdles.
Measurement period:	3 years ending 30 June 2024 with 100% vesting following period end.
Transition arrangements:	One-third of the December 2021 tranche will vest following the end of each of FY22, FY23 and FY24. If the performance hurdles at the end of FY22 and/or FY23 are not achieved, the relevant performance rights will carry forward to the next testing period.
Service hurdle:	Vesting of the performance rights is subject to the employee: a) remaining employed during the Measurement Period; b) continuing to be employed on the relevant Test Date; and c) not giving or receiving notice of termination before the Test Date, or otherwise being a good leaver.
Performance hurdle:	Vesting of performance rights is subject to a return on equity (ROE) hurdle. ROE means the change in NTA plus distributions over the measurement period, divided by NTA at the commencement of the measurement period. Below lower ROE hurdle..... Nil Equal to lower ROE hurdle..... 50% Between lower and upper hurdles..... straight line pro rata At or above upper hurdle..... 100%
Clawback:	In prescribed circumstances, the Board has a discretion to 'claw back' securities (or the net proceeds from sale) allocated upon vesting or to cause unvested performance rights to lapse, to ensure no unfair benefit is obtained by a participant.
Dividends and voting rights:	Performance rights do not carry a right to vote or to distributions or, in general, a right to participate in other corporate actions such as entitlement issues.
Change of control provisions:	If a change of control event occurs, the Board has a discretion to determine the manner in which unvested rights and unexercised vested rights will be dealt with.

9. EQUITY INTERESTS

9.1 Ordinary securities

The equity interests of each KMP in the Group, and the movement in their equity interests during the year, were as follows:

As at 30 June 2022							
	As at 1 July 2021	Acquired	Disposed	LTI Grants ²⁵	Total	Ordinary Securities	ESP Securities ²⁶
Non-executive Directors							
P Lee ²⁷	216,828	-	-	-	216,828	216,828	-
P Leitch	24,411	23,000	-	-	47,411	47,411	-
M Parker	-	-	-	-	-	-	-
A Thornton	1,126,065	-	-	-	1,126,065	1,126,065	-
Executive Directors							
M Madsen	19,114,958	-	(1,214,958)	-	17,900,000	6,940,000	10,960,000
M Hallett	2,902,604	210,000	(503,135)	-	2,609,469	1,609,469	1,000,000
Executives							
D Addis	800,000	-	-	636	800,636	636	800,000
L Davidson	773,330	-	-	636	773,966	213,966	560,000
Total number of securities	24,958,196	233,000	(1,718,093)	1,272	23,474,375	10,154,375	13,320,000

9.2 Employee Security Plan securities

Details of the securities granted to KMP in years prior to FY22 under the Employee Security Plan, together with attaching non-recourse loans, are set out in the following table:

KMP	Issue date ²⁸	Securities granted	Exercise Price	Fair value at grant date	Loan value 30 June 2022	Vesting date
Matthew Madsen	13 Nov 2017	960,000	0.63	0.70	444,847	13 Nov 2020
	16 Apr 2020	5,000,000	1.00	0.06	4,782,096	16 Apr 2023
	18 Nov 2020	5,000,000	1.16	0.10	5,685,931	19 Nov 2023
Mark Hallett	16 Apr 2020	1,000,000	1.00	0.06	965,679	16 Apr 2023
David Addis	3 Jun 2019	320,000	1.08	0.24	316,570	3 Jun 2021
	23 Aug 2019	240,000	1.22	0.11	283,742	23 Aug 2021
	23 Aug 2019	240,000	1.22	0.10	283,742	23 Aug 2022
Lachlan Davidson	13 Nov 2017	160,000	0.63	0.11	74,190	13 Nov 2019
	13 Nov 2017	160,000	0.63	0.13	74,190	29 Nov 2019
	23 Aug 2019	240,000	1.22	0.11	282,740	23 Aug 2021
Total		13,320,000			13,193,727	

A total of 14,840,000 securities have been granted under the Employee Security Plan, of which 13,320,000 are held by KMPs. As at 30 June 2022, 2,080,000 of the 13,320,000 ESP securities held by KMP had vested. A further 240,000 will vest on 23 August 2022.

Following securityholder approval of the new Equity Incentive Plan at the Annual General Meeting on 25 November 2021, it is not proposed that LTIs will continue to be granted under the Employee Security Plan.

²⁵ On 10 December 2021, all GARDA employees (other than those on the Board) were granted \$1,000 of GARDA securities under an exempt security award. Based on a closing share price of \$1.57 on the grant date, each employee received 636 securities.

²⁶ Under Australian Accounting Standards, securities issued under the Employee Security Plan (ESP), which are identical to other GARDA stapled securities, are required to be accounted for as options until such time as they vest and are exercised by the recipient, after repaying the attaching loans. Refer note 20 for further details.

²⁷ Philip Lee resigned from the Board on 25 November 2021. The ordinary securities disclosed are as at the date of resignation.

²⁸ ESP Securities issued prior to the internalisation transaction on 29 November 2019 were issued under the former GARDA Capital Group employee security plan, with the number and exercise price of such securities being adjusted for the internalisation exchange ratio of 1.6x.

9.3 Exempt securities

An Exempt Securities Award was granted to all employees (other than those on the Board) in December 2021 under the Equity Incentive Plan. Each employee was granted \$1,000 of securities which, based on the closing security price of \$1.57 on the grant date, equated to 636 securities each. A total of 10,176 securities were granted pursuant to the exempt security award.

Employees may also not sell the securities before the earlier of the third anniversary of their grant or the date their employment with GARDA ceases.

9.4 Performance rights

The table below shows the LTI grants made to KMP in the form of performance rights during the financial year. Accounting standards require the valuation of the grants to be recognised over the measurement period. The minimum value of the grant to participants will be nil if the vesting conditions are not met. The fair value reported was calculated at the time of the grant and amortised in accordance with accounting standard requirements.

Tranche	Rights held at 30 June 2021	Rights granted during the year	Rights vested and exercised during the year	Rights forfeited during the year	Rights held at 30 June 2022	Grant date	Fair value per right at grant date	Vesting date	Fair value to be expensed in future years ²⁹
Chief Operating Officer									
David Addis									
FY21 – 1 year	-	36,231	-	-	36,231	10 Dec 21	\$1.52	31 Aug 22	11,659
FY21 – 2 years	-	36,231	-	-	36,231	10 Dec 21	\$1.46	31 Aug 23	25,802
FY21 – 3 years	-	36,233	-	-	36,233	10 Dec 21	\$1.39	31 Aug 24	22,549
Total		108,695			108,695				
General Counsel									
Lachlan Davidson									
FY21 – 1 year	-	18,115	-	-	18,115	15 Dec 21	\$1.59	31 Aug 22	6,207
FY21 – 2 years	-	18,115	-	-	18,115	15 Dec 21	\$1.52	31 Aug 23	13,584
FY21 – 3 years	-	18,117	-	-	18,117	15 Dec 21	\$1.46	31 Aug 24	11,836
Total		54,347			54,347				

A total of 670,285 performance rights were granted to executives and KMPs in FY22.

On 1 August 2022, the Board approved the grant of \$75,000 of performance rights to the Executive Director, Mark Hallett, subject to securityholder approval at the 2022 Annual General Meeting. Details of the grant will be included in the Notice of Meeting.

10. KEY TERMS OF EMPLOYMENT

10.1 Executive Chairman

The Executive Chairman, Matthew Madsen, entered into an executive services agreement effective 1 January 2020 on becoming 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;

²⁹ The maximum value of the grants yet to vest is the fair amount at the grant date yet to be reflected in the Group's consolidated income statement. The minimum future value is \$nil as the future performance and service hurdles may not be met.

- base salary, exclusive of superannuation, of \$695,000, to be reviewed annually by the Committee;
- entitlement to participate in short term incentives, expected to be in the form of cash bonus, and subject to achievement of behavioural, performance and financial hurdles determined by the Board;
- entitlement to participate in LTIs, at the discretion of the Board, subject to securityholder approval; and
- value of STIs and LTIs granted in any financial year not to exceed 150% of salary for that year.

10.2 Directors

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

- term: ongoing with no fixed termination date;
- remuneration (to be reviewed annually):
 - \$85,000 per annum (including superannuation) as at 30 June 2022; plus
 - \$5,000 extra for the Chairs of each Board sub-committee; 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: \$150,000 per annum plus GST, reviewed annually; and
- entitlement to participate in LTIs, at the discretion of the Board.

10.3 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.

11. TRANSACTIONS WITH KMP AND THEIR RELATED PARTIES

Other than as disclosed in this Remuneration Report, GARDA did not participate in any transactions with KMP or related parties during the financial year.

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
1 August 2022

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 audit for the year ended 30 June 2022, 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
PITCHER PARTNERS

Mason
CHERYL MASON
Partner

Brisbane, Queensland
1 August 2022

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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NIGEL FISCHER MARK NICHOLSON PETER CAMENZULI	JASON EVANS KYLE LAMPRECHT NORMAN THURECHT	BRETT HEADRICK WARWICK FACE COLE WILKINSON	SIMON CHUN JEREMY JONES TOM SPLATT	JAMES FIELD DANIEL COLWELL ROBYN COOPER	FELICITY CRIMSTON CHERYL MASON KIERAN WALLIS	MURRAY GRAHAM ANDREW ROBIN KAREN LEVINE
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FINANCIAL REPORT³⁰CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

Year ended 30 June	Notes	GARDA		Company	
		2022	2021	2022	2021
		\$000	\$000	\$000	\$000
Revenue and other income					
Revenue from ordinary activities	5	33,709	30,481	6,385	4,638
Other income	5	68	243	38	163
Net gain on sale of investment properties		-	881	-	-
Net gain in fair value of financial instruments		12,832	3,593	-	-
Net gain in fair value of investment properties	9	111,642	50,671	-	-
Total revenue and other income		158,251	85,869	6,423	4,801
Expenses					
Property expenses	6	(6,926)	(6,814)	-	-
Corporate and trust administration expenses	6	(1,970)	(1,748)	(1,143)	(1,095)
Finance costs	6	(4,078)	(3,753)	(5)	(8)
Employee benefits expense	6	(3,564)	(3,308)	(5,734)	(4,364)
Depreciation	6	(161)	(175)	(161)	(175)
Goodwill impairment expense	11	-	(33,586)	-	-
Credit loss expense	8	(6)	(369)	(6)	(369)
Security based payments expense	20	(669)	(740)	(669)	(740)
Net loss on sale of investment properties	9	(511)	-	-	-
Total expenses		(17,885)	(50,493)	(7,718)	(6,751)
Profit/ (loss) before income tax		140,366	35,376	(1,295)	(1,950)
Income tax benefit	7	153	313	153	313
Profit/ (loss) after income tax		140,519	35,689	(1,142)	(1,637)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		140,519	35,689	(1,142)	(1,637)
Total profit/ (loss) and total comprehensive income for the period attributable to:					
Securityholders of GARDA Property Group		141,661	37,326	-	-
Shareholders of GARDA Holdings Limited		(1,142)	(1,637)	(1,142)	(1,637)
Profit/ (loss) and total comprehensive income		140,519	35,689	(1,142)	(1,637)
Earnings per stapled security:					
Basic earnings per stapled security (cents)	15	67.37	17.11	(0.55)	(0.78)
Diluted earnings per stapled security (cents)	15	62.90	16.11	(0.55)	(0.78)

The Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

³⁰ Please refer to Glossary for definitions.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June	Notes	GARDA		Company	
		2022	2021	2022	2021
		\$000	\$000	\$000	\$000
ASSETS					
Current assets					
Cash and cash equivalents		19,794	15,534	6,661	7,267
Trade and other receivables	8	7,654	2,629	1,214	1,036
Other assets – prepayments		1,274	1,094	168	165
Investment properties held for sale	9	-	10,675	-	-
Total current assets		28,722	29,932	8,043	8,468
Non-current assets					
Trade and other receivables	8	86	-	-	-
Investment properties	9	650,733	485,570	1,250	1,250
Deposits on investment properties		-	713	-	-
Property, plant and equipment		13	41	13	41
Derivative financial instruments	13	14,889	2,057	-	-
Right-of-use assets	23	137	270	137	270
Deferred tax assets	7	417	264	417	264
Total non-current assets		666,275	488,915	1,817	1,825
Total assets		694,997	518,847	9,860	10,293
LIABILITIES					
Current liabilities					
Trade and other payables	10	2,773	3,045	6,900	6,125
Contract liabilities		607	472	-	-
Distribution payable	14	3,754	3,754	-	-
Provisions		42	-	42	-
Lease liabilities	24	130	122	130	122
Total current liabilities		7,306	7,393	7,072	6,247
Non-current liabilities					
Tenant security deposits		561	246	-	-
Borrowings	12	258,898	209,030	-	-
Provisions		92	78	92	78
Lease liabilities	24	-	130	-	130
Total non-current liabilities		259,551	209,484	92	208
Total liabilities		266,857	216,877	7,164	6,455
Net assets		428,140	301,970	2,696	3,838
EQUITY					
Contributed equity		355,009	354,993	-	-
Security based payment reserve		1,837	1,184	-	-
(Accumulated losses)/ retained earnings		71,294	(54,207)	2,696	3,838
Total equity		428,140	301,970	2,696	3,838

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

a) GARDA

	Contributed Equity \$000	Other Reserves \$000	Retained Earnings/ (Accumulated Losses) \$000	Total Equity \$000
30 June 2022				
Balance at 1 July 2021	354,993	1,184	(54,207)	301,970
Comprehensive income				
Profit for the financial year	-	-	140,519	140,519
Other comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners:				
Distributions paid or payable	-	-	(15,018)	(15,018)
Securities based payment expense	-	653	-	653
Sales of treasury stock	16	-	-	16
Balance at 30 June 2022	355,009	1,837	71,294	428,140
30 June 2021				
Balance at 1 July 2020	354,993	444	(74,879)	280,558
Comprehensive income				
Profit for the financial year	-	-	35,689	35,689
Other comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners:				
Distributions paid or payable	-	-	(15,017)	(15,017)
Securities based payment expense	-	740	-	740
Balance at 30 June 2021	354,993	1,184	(54,207)	301,970

b) Company

	Contributed Equity \$000	Retained Earnings \$000	Total Equity \$000
30 June 2022			
Balance at 1 July 2021	-	3,838	3,838
Comprehensive income			
Loss for the financial year	-	(1,142)	(1,142)
Other comprehensive income	-	-	-
Balance at 30 June 2022	-	2,696	2,696
30 June 2021			
Balance at 1 July 2020	-	5,475	5,475
Comprehensive income			
Loss for the financial year	-	(1,637)	(1,637)
Other comprehensive income	-	-	-
Balance at 30 June 2021	-	3,838	3,838

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 30 June	Notes	GARDA		Company	
		2022	2021	2022	2021
		\$000	\$000	\$000	\$000
Cash flows from operating activities					
Receipts from customers (incl. GST)		37,962	31,349	6,995	4,630
Litigation proceeds		105	150	-	-
Payments in the course of operations (incl. GST)		(18,991)	(15,417)	(7,018)	(5,137)
Interest received		13	16	3	9
Finance costs		(4,767)	(4,121)	-	(8)
Income tax refund		-	2	-	2
Net GST refund/ (paid)		3,620	(290)	(357)	(295)
Net cash from / (used in) operating activities	25	17,942	11,689	(377)	(799)
Cash flows from investing activities					
Payments for investment properties		(51,454)	(44,326)	-	-
Payments for deposits and due diligence		-	(713)	-	-
Proceeds on sale of investment properties		11,000	19,371	-	-
Commissions paid for sale of investment properties		(210)	(266)	-	-
Payments for leasing fees		(686)	(816)	-	-
Repayment of loans receivable from external parties		3,938	11,316	467	4,813
Loan advances to external parties		(10,389)	(7,861)	(573)	(3,419)
Payments for property, plant and equipment		-	(29)	-	(29)
Net cash (used in) / from investing activities		(47,801)	(23,324)	(106)	1,365
Cash flows from financing activities					
Distributions paid		(15,018)	(15,026)	-	-
Drawdowns from bank debt facilities		60,728	40,764	-	-
Repayment of bank debt facilities		(10,728)	(18,879)	-	-
Bank debt facility transaction costs paid		(725)	(56)	-	-
Payment of lease liabilities		(138)	(122)	(138)	(122)
Loan from parent entity		-	-	-	3,875
Repayment of loan to parent entity		-	-	-	(1,004)
Repayment of loan by subsidiary of parent entity		-	-	15	-
Net cash from / (used in) financing activities		34,119	6,681	(123)	2,749
Net increase / (decrease) in cash and cash equivalents		4,260	(4,954)	(606)	3,315
Cash and cash equivalents at beginning of year		15,534	20,488	7,267	3,952
Cash and cash equivalents at end of year		19,794	15,534	6,661	7,267

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

NOTES TO FINANCIAL REPORT

NOTE 1 GENERAL INFORMATION

a) 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. Pursuant to Australian Accounting Standards, the Fund is the deemed parent entity of the Group. Supplementary information about the parent entity is disclosed in note 26.

b) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated annual financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

c) Compliance with IFRS

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

d) 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.

e) 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.

f) Comparative information

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

g) 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, sometimes in conjunction with third parties. The Company, through its subsidiaries, acts as the responsible entity of the Fund.

h) Registered office

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

i) Authorisation of financial report

This financial report was authorised for issue on 1 August 2022 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.

a) Adoption of new or amended accounting standards and Interpretations

New and amended accounting standards

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2022 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Group and Company.

b) 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.

c) 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.

d) Income tax

Income tax for the Fund

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 securityholders who are presently entitled to the income under the Constitution.

Income tax for the Company

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 the Company

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, the Company 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 the Company for any current tax liability assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred 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.

e) 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 Statements of Financial Position as a receivable or, if paid in advance, as contractual liabilities. 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.

f) 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.

g) Investment properties held for sale

Investment properties are classified as held for sale if their carrying values are expected to be recovered principally through a sale transaction rather than continuing use, and a sale is considered highly probable. Investment properties held for sale are presented separately in the Consolidated Statements of Financial Position as current assets and measured at fair value.

h) 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.

i) 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 (except for goodwill which must be reviewed annually). 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 (except for goodwill that must be reviewed annually), the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

j) 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.

k) Financial Assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets at fair value

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. Transaction costs are expensed. The net fair value of derivative financial instruments outstanding at the reporting date is recognised in the Consolidated Statements of Financial Position as a financial asset or financial liability. Changes in the fair value of the interest rate swaps are recognised immediately in profit or loss.

At 30 June 2022, a financial asset of \$14,889,000 in relation to GARDA's interest rate swaps was recognised.

Financial assets at amortised cost

Trade receivables and contract assets

Trade receivables and contract assets 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.

Commercial loans to external third parties

Commercial loans receivable from external third parties are initially recognised at fair value, and subsequently at amortised cost, using the effective interest rate method less any allowance under the expected credit loss model. All loans and receivables with maturities greater than 12 months after balance date are classified as non-current assets.

The Group reclassifies commercial loans receivable from external parties only when its business model for managing those assets changes.

Derecognition

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment

Trade receivables and contract assets

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.

Recoverability of commercial loan receivable from external parties

Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The Group analyses the current observable data as a means of estimating expected credit losses. The current observable data may include:

- financial difficulties of the borrower, or probability that the borrower will default on payment or will enter bankruptcy; and
- conditions specific to the underlying project or secured property to which the receivable relates which may include unfavorable loan to valuation ratios.

The Group impairs commercial loans receivable from external parties when there is information indicating the borrower is in severe financial difficulty (e.g. failure by the borrower to make contractual payments on due date and subsequently failure of the borrower to engage in repayment plan), there is a breach of loan to valuation covenants and there is no realistic prospect of recovery through enforcement of sale of secured properties or other securities provided by the borrower.

l) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease where the Group are lessees. 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.

m) 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.

n) 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.

o) Lease liabilities

A lease liability is recognised at the commencement of a lease where the Group is a lessee. 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.

p) 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.

q) 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 2022, 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 2022, long service leave liabilities were recognised as current and non-current liabilities.

Defined contribution superannuation expense

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

r) Security based payments expense

Security based payments expenses have been recognised by GARDA for the security based compensation benefits or equity grants provided to employees.

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 security 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.

s) 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.

t) Earnings per security

Basic earnings per security is calculated by dividing the profit attributable to securityholders, by the number of ordinary securities outstanding at the end of the financial year (excluding treasury securities and GARDA Employee Security Plan securities).

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security 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 but excluding treasury securities.

u) Treasury Securities

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

v) 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.

w) 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 thousand dollars, or in certain cases, to the nearest dollar.

x) 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.

Recoverability of deferred tax assets

Judgement has been exercised in assessing the recoverability of deferred tax assets arising from operating losses made by the Company. Future taxable profits are expected to be available to the Company to utilise these operating losses. Factors taken into account in making the recoverability assessment by management included the expected future operations of the Company in the context of expected market conditions. Changes in circumstances may alter expectations and affect the carrying amount of deferred tax assets. Any resulting adjustment to the carrying value of the deferred tax asset will be recorded as a charge to income tax expense in the Consolidated Statements of Profit or Loss and Other Comprehensive Income.

Investment property valuation

The Group makes key assumptions in determining the fair value of its investment property portfolio as at reporting date. In the current financial year, these assumptions have been made in the context of considerable uncertainty regarding the likely ultimate impact of COVID-19, social and political events, deteriorating investment market conditions and the increasing cost of debt.

The independent valuation reports received as at 30 June 2022 included caveats that the valuations were reported on the basis of "material valuation uncertainty" and, consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. 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 notes 9 and 17, together with the carrying amount of each investment property asset measured at fair value.

Security 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 security 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, as disclosed in note 20.

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

The Group has identified three core operating segments. These segments are regularly reviewed by the Executive Chairman, who is the Chief Operating Decision Maker, to support decisions about resource allocation and to assess performance.

The three operating segments are: direct property investment, debt investment and funds management. The business activities of each of these operating segments are as follows:

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

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.

a) Segment results

	Direct investment \$000	Other segments \$000	Total \$000
Year ended 30 June 2022			
Segment revenue:			
Lease revenue	25,657	-	25,657
Recoverable outgoings	6,124	-	6,124
Fund and real estate management	-	6	6
Lending business income	-	534	534
Debt advisory services	-	776	776
Sundry income	20	-	20
Total segment revenue	31,801	1,316	33,117
Total segment expense	(11,826)	(321)	(12,147)
Segment profit	19,975	995	20,970

Year ended 30 June 2021			
Segment revenue:			
Lease revenue	23,556	-	23,556
Recoverable outgoings	4,895	-	4,895
Fund and real estate management	-	5	5
Lending business income	-	860	860
Debt advisory services	-	521	521
Sundry income	73	-	73
Total segment revenue	28,524	1,386	29,910
Total segment expense	(11,180)	(718)	(11,898)
Segment profit	17,344	668	18,012

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.

b) Reconciliation of segment revenues to Group revenue

Year ended 30 June	2022 \$000	2021 \$000
Total revenue and other income for segments	33,117	29,910
Unallocated amounts:		
Lease straight-lining revenue	1,137	1,302
Lease costs and incentive amortisation	(890)	(795)
Rent free income	365	137
Sundry income	35	154
Non-operating interest income	13	16
Net gain on sale of investment properties	-	881
Net gain in fair value of financial instruments	12,832	3,593
Net gain in fair value of investment properties	111,642	50,671
Total Group revenue and other income	158,251	85,869

c) Reconciliation of segment profit to Group profit before tax

Year ended 30 June	2022 \$000	2021 \$000
Segment profit	20,970	18,012
Unallocated amounts:		
Revenue:		
Lease straight-lining revenue	1,137	1,302
Lease costs and incentive amortisation	(890)	(795)
Rent free income	365	137
Sundry income	35	154
Non-operating interest income	13	16
Net gain on sale of investment properties	-	881
Net gain in fair value of financial instruments	12,832	3,593
Net gain in fair value of investment properties	111,642	50,671
Expenses:		
Finance costs	(5)	(8)
Employee benefit expense	(3,336)	(3,083)
Corporate and trust administration expenses	(1,056)	(1,003)
Depreciation	(161)	(175)
Security based payments expense	(669)	(740)
Net fair value loss of investment properties	(511)	-
Goodwill impairment expense	-	(33,586)
Group profit before income tax	140,366	35,376

d) Segment assets and liabilities

	Direct Investment \$000	Other Segments \$000	Total \$000
As at 30 June 2022			
Segment Assets	660,540	17,492	678,032
Segment Liabilities	(265,974)	(13)	(265,987)
Net Assets	394,566	17,479	412,045
As at 30 June 2021			
Segment Assets	505,223	9,498	514,721
Segment Liabilities	(215,780)	(70)	(215,850)
Net Assets	289,443	9,428	298,871

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

e) Reconciliation of segment assets to Group assets

As at 30 June	2022 \$000	2021 \$000
Reportable segment assets	678,032	514,721
Unallocated amounts:		
Other receivables	260	244
Investment properties ³¹	1,250	1,250
Corporate fixed assets	13	41
Derivative financial instrument	14,888	2,057
Right-of-use assets	137	270
Deferred tax assets	417	264
Total Group assets	694,997	518,847

f) Reconciliation of segment liabilities to Group liabilities

As at 30 June	2022 \$000	2021 \$000
Reportable segment liabilities	265,987	215,850
Unallocated amounts:		
Trade and other payables	606	697
Provisions	134	78
Lease liability	130	252
Total Group liabilities	266,857	216,877

³¹ Represents the value of land held by a subsidiary of the Company.

NOTE 4 DISTRIBUTIONS

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

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
September: 1.80 cents per security (2021: 1.80 cents)	3,755	3,755	-	-
December: 1.80 cents per security (2021: 1.80 cents)	3,755	3,754	-	-
March: 1.80 cents per security (2021: 1.80 cents)	3,754	3,754	-	-
June: 1.80 cents per security (2021: 1.80 cents)	3,754	3,754	-	-
Total distribution³²	15,018	15,017	-	-

³² Net distributions exclude distributions paid in respect of treasury securities and securities granted under the GARDA employee security plan.

NOTE 5 REVENUE AND OTHER INCOME

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Revenue recognised under AASB 16 Leases				
Lease revenue	27,159	24,995	-	-
Lease costs and incentive amortisation	(890)	(795)	-	-
	26,269	24,200	-	-
Revenue recognised under AASB 9 Financial Instruments				
Lending business income	534	860	-	363
	534	860	-	363
Revenue recognised under AASB 15 Revenue from contracts with customers				
Recoverable outgoings – non-lease component	6,124	4,895	-	-
Fund and real estate management	6	5	3,439	2,697
Recoveries and other fees	-	-	2,170	1,057
Debt advisory services	776	521	776	521
	6,906	5,421	6,385	4,275
Total revenue	33,709	30,481	6,385	4,638
Other income				
Non-operating interest income	13	16	3	9
Sundry income	55	227	35	154
	68	243	38	163
Total other income	68	243	38	163

Disaggregation of revenue from contracts with customers

	2022			2021		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
	\$000	\$000	\$000	\$000	\$000	\$000
GARDA						
Recoverable outgoings – non-lease component	-	6,124	6,124	-	4,895	4,895
Fund and real estate management	-	6	6	-	5	5
Debt advisory services	776	-	776	521	-	521
Total	776	6,130	6,906	521	4,900	5,421
Company						
Recoveries and other fees	-	2,170	2,170	-	1,057	1,057
Fund and real estate management	-	3,439	3,439	-	2,697	2,697
Debt advisory services	776	-	776	521	-	521
Total	776	5,609	6,385	521	3,754	4,275

NOTE 6 EXPENSES

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Property expenses				
Recoverable expenses	5,746	5,918	-	-
Direct expenses	804	545	-	-
Non-recoverable expenses	376	351	-	-
	6,926	6,814	-	-
Corporate and trust administration expenses				
Professional fees and other administration expenses	1,970	1,748	1,143	1,095
	1,970	1,748	1,143	1,095
Finance costs				
Interest on borrowings	4,949	4,113	-	-
Amortisation of borrowing transaction costs	593	548	-	-
Interest expense on lease liabilities	5	8	5	8
Interest capitalised to properties under construction ³³	(1,469)	(916)	-	-
	4,078	3,753	5	8
Employee benefits expense				
Superannuation expense	230	215	276	255
Other employee benefits	3,334	3,093	5,458	4,109
	3,564	3,308	5,734	4,364
Depreciation				
IT equipment and fittings	28	42	28	42
Buildings right-of-use assets	133	133	133	133
	161	175	161	175

³³ 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 2.2% - 3.4% (2021: 2.2% - 2.4%)

NOTE 7 INCOME TAX

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
The components of income tax benefit comprise:				
Deferred income tax benefit	153	313	153	313
Income tax benefit	153	313	153	313
Deferred income tax expense included in income tax benefit:				
Increase in deferred tax assets	177	239	177	239
(Increase)/decrease in deferred tax liabilities	(24)	74	(24)	74
Total deferred tax benefit	153	313	153	313
The prima facie tax on profit before income tax is reconciled to income tax as follows:				
Profit/(loss) before income tax	140,366	35,376	(1,295)	(1,950)
Less profit attributed to Trusts not subject to tax	(139,071)	(37,326)	-	-
Loss subject to income tax benefit	(1,295)	(1,950)	(1,295)	(1,950)
Prima facie tax at 25.0% (2021: 26.0%)	324	507	324	507
Tax effect of amounts which are not deductible/(assessable):				
Security based payment expense	(167)	(193)	(167)	(193)
Other (income)/expenses	(4)	12	(4)	12
Restate deferred income tax benefit to 25%	-	(13)	-	(13)
Income tax benefit	153	313	153	313
Composition of deferred tax assets				
Provision for employee benefits	95	71	95	71
Accrued expenses	130	129	130	129
Capital raising and transaction costs	55	81	55	81
Tax losses	530	236	530	236
Lease liabilities	33	62	33	62
Other	40	127	40	127
Deferred tax asset	883	706	883	706
Movements:				
Opening balance	706	467	706	467
Movement in deferred tax asset - temporary differences:				
Credited to profit and loss	177	239	177	239
Closing balance at the end of the year	883	706	883	706

cont'd

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Composition of deferred tax liabilities				
Right of use asset	34	68	34	68
Investment property	313	313	313	313
Other	119	61	119	61
Deferred tax liabilities	466	442	466	442
Movements:				
Opening balance	442	516	442	516
Movement in deferred tax liabilities - temporary differences:				
(Charged) / credited to profit and loss	24	(74)	24	(74)
Closing balance at the end of the year	466	442	466	442
Net deferred tax asset				
Deferred tax assets	883	706	883	706
Deferred tax liabilities	(466)	(442)	(466)	(442)
Net deferred tax asset	417	264	417	264
Franking credits				
Franking credits available	4,204	4,204	4,204	4,204

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 credits that will arise from the payment of the amount of the income tax refunds;
- 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		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Current				
Fund management fees receivable	-	-	339	275
Rent and outgoings receivable	36	193	-	-
Litigation proceeds receivable	120	225	-	-
Other receivables	52	82	302	299
GST receivable	-	1,667	-	-
Commercial loans to external third parties	7,446	831	573	831
Expected credit losses	-	(369)	-	(369)
	7,654	2,629	1,214	1,036
Non-Current				
Rent and outgoings receivable	86	-	-	-
	86	-	-	-
Analysis of expected credit loss				
Opening balance	369	-	369	-
Expected credit losses	6	369	6	369
Reversal of expected credit losses	(375)	-	(375)	-
Closing balance	-	369	-	369

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

NOTE 9 INVESTMENT PROPERTIES

a) Investment properties (non-current assets)

Year ended 30 June	2022 \$000	2021 \$000
GARDA		
Investment properties at independent valuation	509,310	329,151
Investment properties at Directors' valuation	141,423	156,419
	650,733	485,570
Movements during the year:		
Opening balance	485,570	417,447
Transfer to investment properties held for sale (current assets)	-	(10,675)
Sale of investment properties	-	(18,224)
Acquisition of established investment properties	21,834	-
Capital expenditure on established investment properties	8,279	5,810
Acquisition and capital expenditure of properties under construction	22,061	39,080
Straight-lining of rental income	1,137	1,302
Net movement in leasing costs and incentives	210	159
Net gain in fair value of investment properties	111,642	50,671
Balance at the end of the year	650,733	485,570
Company		
Land at 30 Palmer Street, Townsville	1,250	1,250

b) Investment properties held for sale (current assets)

Year ended 30 June	2022 \$000	2021 \$000
GARDA		
Property at 142-150 Benjamin Place, Lytton	-	10,675
	-	10,675
Movements during the year:		
Opening balance	10,675	-
Capital expenditure	548	-
Disposal book value	(11,223)	-
Transfer from investment properties at fair value (non-current assets)	-	10,675
Balance at the end of the year	-	10,675

The sale of the property at 142-150 Benjamin Place, Lytton resulted in a net loss of \$511,000 which is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

c) Valuations

GARDA's policy is to undertake independent valuations on a rotational basis to ensure that each property is valued at least once every 12 months by an independent external valuer. Where a property is not due for an independent valuation, it will be carried at Directors' valuation. Directors' valuations are based on the most recent independent valuation of a property and take into account capital accretive expenditure and comparable sales evidence since that last independent valuation.

Fourteen of GARDA's properties have been externally valued for the FY22 Annual Report, with the balance of the portfolio (including value accretive additions) being carried at Directors' valuation.

As at 30 June				2022	2021	Movement
		Sector ³⁴	Value ³⁵	\$000	\$000	\$000
Company held						
Townsville	30 Palmer Street	R	E	1,250	1,250	-
Fund - Industrial						
Acacia Ridge ³⁶	38-56 Peterkin Street	D	E	18,000	13,200	4,800
Acacia Ridge ³⁷	69 Peterkin Street	I	E	23,000	11,000	12,000
Berrinba	1-9 Kellar Street	I	E	14,000	11,975	2,025
Heathwood ³⁸	67 Noosa Street	I	E	18,250	11,800	(6,450)
Mackay	69-79 Diesel Drive	I	E	39,200	35,000	4,200
Morningside	326 & 340 Thynne Road	I	E	51,000	43,725	7,275
North Lakes	109 – 135 Boundary Road	D	E	45,000	20,000	25,000
Pinkenba	70-82 Main Beach Road	I	E	34,000	26,200	7,800
Richlands	56-72 Bandara Street	D	E	13,660	-	13,660
Wacol	41 Bivouac Place	I	E	61,500	45,400	16,100
Wacol	372 Progress Road (Pinnacle East)	D	E	11,000	4,410	6,590
Wacol ³⁹	498 Progress Road (Pinnacle West)	I	E	14,900	12,500	2,400
Wacol ³⁹	498 Progress Road (Pinnacle West)	D	E	10,550	9,826	724
Value accretive capital expenditure				1,263	1,722	(459)
Value accretive capital expenditure				167	-	167
				355,490	246,758	108,732
Fund - Office						
Box Hill	436 Elgar Road	O	D	45,500	39,000	6,500
Cairns	9-19 Lake Street	O	D	90,000	86,500	3,500
Hawthorn East	8-10 Cato Street	O	E	22,000	-	22,000
Richmond ⁴⁰	572-576 Swan Street (Botanicca 7)	O	E	63,500	54,000	9,500
Richmond ⁴⁰	588A Swan Street (Botanicca 9)	O	E	68,500	57,000	11,500
Value accretive capital expenditure				4,493	1,062	3,431
				293,993	237,562	56,431
Total investment properties (non-current assets)				650,733	485,570	165,163
Fund - Current						
Lytton	142-150 Benjamin Place	I	sold	-	10,675	(10,675)
Total investment properties (current assets)				-	10,675	(10,675)
Total investment properties				650,733	496,245	154,488

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

³⁴ I = established industrial. D = industrial development. O = commercial office. R = residential land.

³⁵ D = Directors' valuation. E = external, independent valuation.

³⁶ 38 Peterkin Street was valued as a \$6,200,000 established asset in FY21 but joined 56 Peterkin Street as a development asset in FY22.

³⁷ 69 Peterkin Street was valued as an \$11,000,000 development asset in FY21 but, upon completion of construction of the first stage in December 2021, became an established asset in FY22. The value of the remaining land for development is \$4,200,000.

³⁸ The Heathwood property was being held for sale (current asset) at 31 December 2021. However, following the decision to dispose of our two office buildings in Richmond (refer note 39 below), the Heathwood property is no longer being held for sale and has been re-classified as a non-current asset.

³⁹ Building C at 498 Progress Road, Wacol was completed in May 2021. The remaining undeveloped land at 498 Progress Road, independently valued at \$10,550,000 is reported as industrial land for development.

⁴⁰ Subsequently to year end, Botanicca 7 and Botanicca 9 are to be offered for sale.

d) Contractual commitments

Contractual obligations with respect to investment properties at 30 June 2022 were as follows:

Properties	Nature of Obligation	\$000
Acacia Ridge, 38-56 Peterkin Street	Development	56
Wacol, 498 Progress Road	Development	9,532
Total contractual obligations		9,588

e) Leasing arrangements

Investment properties listed at c) above (excluding land in Cairns, land and 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 have been disclosed in note 16.

f) Amount recognised in profit or loss for investment properties

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

NOTE 10 TRADE AND OTHER PAYABLES

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Current				
Trade creditors	14	26	2	25
Other payables	2,759	3,019	1,170	1,056
Loan payable to parent entity	-	-	5,728	5,044
	2,773	3,045	6,900	6,125

NOTE 11 INTANGIBLE ASSETS

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Goodwill	-	33,586	-	-
Accumulated impairment loss expense	-	(33,586)	-	-
	-	-	-	-

Goodwill was recognised on the acquisition by GARDA of GARDA Capital Group in FY20. Goodwill has an indefinite useful life and is tested annually for impairment. Following the annual impairment assessment in FY21, goodwill was fully impaired.

NOTE 12 BORROWINGS

	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Non-current				
Bank loans (secured)	260,000	210,000	-	-
Less: unamortised transaction costs	(1,102)	(970)	-	-
	258,898	209,030	-	-

Syndicated Debt Facility

Amount and Tenor

At 30 June 2022, GARDA had \$20,000,000 of borrowing capacity available:

Facility	Facility Limit		Amount Drawn		Amount Available	
	2022	2021	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000	\$000
Total facilities	280,000	228,000	260,000	210,000	20,000	18,000

GARDA's syndicated bank debt facility with its banks expires on 3 March 2026. 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 2022, GARDA's gearing was 35.6% (FY21: 38.6%).

On 29 July 2022, GARDA announced a \$40 million increase in its \$280 million syndicated debt facility, taking the facility to \$320 million.

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 Fund portfolio;
- a first registered general security deed in respect of all assets and undertakings of the Company and its secured subsidiaries; and
- a specific security agreement over tenant security deposit accounts.

Notwithstanding the terms of the facility, the registered title to all the assets of the Fund, 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.

Covenants

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

- interest cover ratio is to remain above 2.50 times, decreasing to 2.00 times from 29 July 2022;
- loan to value ratio (LVR) must remain under 50%; and
- adjusted gearing ratio is to remain under 1.20 times.

The Group complied with its financial covenants at all times 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 GARDA borrowers 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		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Non-Current				
Interest rate swap contract asset	14,889	2,057	-	-
Interest rate swap contract liability	-	-	-	-
Total interest rate swap asset	14,889	2,057	-	-

GARDA executed 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		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Current				
Distribution payable	3,754	3,754	-	-
Movement in provisions:				
Opening balance at beginning of year	3,754	3,763	-	-
Distributions provided for	15,018	15,017	-	-
Distributions paid	(15,018)	(15,026)	-	-
Closing balance	3,754	3,754	-	-

NOTE 15 EARNINGS PER STAPLED SECURITY

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
Profit/ (loss) after tax attributable to securityholders (\$000)	140,519	35,689	(1,142)	(1,637)
Earnings per stapled security				
Basic (cents)	67.37	17.11	(0.55)	(0.78)
Diluted (cents)	62.90	16.11	(0.55)	(0.78)
Securities				
Basic ⁴¹ (number)	208,580,844	208,570,668	208,580,844	208,570,668
WANOS ⁴² (number)	223,415,965	221,479,161	223,415,965	221,479,161

⁴¹ The basic number of securities is calculated as total issued securities less treasury securities and GARDA Employee Security Plan securities. See note 18 for further details.

⁴² The weighted average number of securities (**WANOS**) is determined as total issued securities less treasury securities, weighted according to the date and number of any securities issued during the financial year.

NOTE 16 FINANCIAL RISK MANAGEMENT

a) 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.

b) 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:

c) 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, is recognised as financial assets net of provisions for impairment in the Statement of Financial Position and notes to the financial statements. The Group holds security deposits of \$560,750 (FY21: \$246,000) and also has bank guarantees in the Group's favour of \$12,424,540 (FY21: \$11,228,000) 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.

Credit risk exposures

Trade receivables and contract assets:

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.

Commercial loan receivable from external parties

All of the Group's commercial loans receivable from external parties 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.

The Group analyses the current observable data as a means of estimating expected credit losses. The current observable

data may include:

- financial difficulties of the borrower, or probability that the borrower will default on payment or will enter bankruptcy; and
- conditions specific to the underlying project or secured property to which the receivable relates which may include unfavourable loan to valuation ratios.

The Group impairs commercial loans receivable from external parties when there is information indicating the borrower is in severe financial difficulty (e.g. failure by the borrower to make contractual payments on due date and subsequently failure of the borrower to engage in repayment plan), there is a breach of loan to valuation covenants and there is no realistic prospect of recovery through enforcement of sale of secured properties or other securities provided by the borrower.

d) 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 2022. The amounts disclosed represent undiscounted cash flows.

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

		GARDA		Company	
		2022	2021	2022	2021
	Note	\$000	\$000	\$000	\$000
Less than one year					
Trade and other payables ⁴³	10	2,536	3,045	955	1,081
Loan payable to parent entity	10	-	-	5,728	5,043
Distribution payable	14	3,754	3,754	-	-
		6,290	6,799	6,683	6,124
Between one and five years					
Bank loans (secured)	12	260,000	210,000	-	-
		260,000	210,000	-	-

e) 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.

Interest rate risk sensitivity

The net interest rate exposure of the Group is \$180,000,000 (FY21: \$128,000,000) being the Group debt facility of \$280,000,000 (FY21: \$228,000,000) less the notional principal amount of the interest rate swap of \$100,000,000 (FY21: \$100,000,000).

The impact of a 0.5% increase/decrease in market interest rates at balance date would be a corresponding \$900,000 (FY21: \$640,000) decrease/increase in profit or loss per annum.

⁴³ These amounts exclude GST payable balances at year end in accordance with AASB 132.

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
- Financial liabilities: Derivative financial instruments at fair value through profit and loss

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.

	Notes	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 June 2022					
Assets					
Investment properties (non-current)		-	-	650,733	650,733
Derivative financial instruments	13	-	14,889	-	14,889
			14,889	650,733	665,622
Liabilities					
Derivative financial instruments		-	-	-	-
		-	-	-	-

30 June 2021

Assets					
Investment properties (non-current)	9	-	-	485,570	485,570
Investment properties held for sale (current)	9	-	-	10,675	10,675
Derivative financial instruments	13	-	2,057	-	2,057
		-	2,057	496,245	498,302
Liabilities					
Derivative financial instruments		-	-	-	-
		-	-	-	-

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.

a) 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 Statements 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.

b) Investment properties

The Directors consider the valuations of each investment property every six months and either ensure an external independent valuer is instructed or adopt a Directors' valuation.

Industrial and office assets are usually valued using the capitalisation approach (market approach) and the discounted cash flow approach (income approach). These valuations are typically compared to, and supported by, direct comparison to recent market transactions.

The fair values of development properties under construction are usually based on the market values of the properties assuming they had already been completed at valuation date, provided such market values may be reliably ascertained.

In relation to vacant land, or where there are no commitments for construction, fair values are assessed through direct comparison with third party sales for similar assets in a comparable location.

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
	2022	2021	
Discount rate	5.25%-6.75%	6.00% - 7.50%	The higher the discount rate, terminal yield and expected vacancy rate, the lower the fair value.
Capitalisation rate	4.00%-6.63%	5.00% - 7.25%	
Terminal yield	4.25%-6.88%	5.25% - 7.00%	
Expected vacancy rate	0%	0%	The higher the rental growth, the higher the fair value. Based on Gross Face Rental growth 10 year CAGR.
Rental growth rate	2.77%-3.73%	2.60% - 3.29%	

c) Fair value of interest rate swaps

Level 2 financial assets held by the Group include interest rate swaps. The fair value of these derivatives has been determined by GARDA's banks using pricing models based on discounted cash flow analysis incorporating assumptions supported by observable market data at balance date including market expectations of future interest rates and discount rates, adjusted for any specific features of the derivatives and counterparty or own credit risk.

d) 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

a) Issued securities

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	Securities	Securities	Shares	Shares
Issued securities as per ASX	227,644,361	227,644,361	227,644,361	227,644,361
Movements during the year				
Balance at beginning of year	227,644,361	227,644,361	227,644,361	227,644,361
Movements	-	-	-	-
Total issued securities as per ASX	227,644,361	227,644,361	227,644,361	227,644,361
Treasury Securities	(4,223,517)	(4,233,693)	(4,223,517)	(4,233,693)
Securities on issue under GARDA ESP	(14,840,000)	(14,840,000)	(14,840,000)	(14,840,000)
Total issued securities for financial statements	208,580,844	208,570,668	208,580,844	208,570,668

b) Treasury securities

The Fund owns 100% of GARDA Capital Trust which, in turn, owned 4,223,517 stapled securities in GARDA at 30 June 2022. 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.

During the year, 10,176 treasury securities were transferred pursuant to exempt security awards under the GARDA Equity Incentive Plan, leaving the balance of 4,223,517 treasury securities at 30 June 2022.

c) Employee Security Plan securities

At 30 June 2022, 14,840,000 securities had been issued under the GARDA Employee Security Plan of which 3,200,000 have vested, including 1,280,000 which vested during FY22.

In accordance with Australian Accounting Standards, all GARDA Employee Security Plan securities (including vested securities) are deducted from equity and excluded from total issued securities of 227,644,361 until such time as the underlying limited recourse loans are repaid.

Refer to note 20 for further details.

NOTE 19 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

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

a) 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 is set out below:

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Short-term benefits	2,886,563	1,754,159	2,886,563	1,754,159
Post-employment benefits	92,815	92,318	92,815	92,318
Long-term benefits	19,988	10,774	19,988	10,774
Security based payments	363,842	635,878	363,842	635,878
Total remuneration paid	3,363,208	2,493,129	3,363,208	2,493,129

b) Transactions with KMP and their related parties

There have been no transactions with KMP and their related parties during the year.

c) GARDA Employee Security Plan

Securities were first issued under the loan-funded GARDA Employee Security Plan (or its predecessor plan at GARDA Capital Group) on 13 November 2017. There were no issues or transfers of GARDA Employee Security Plan securities during the reporting period and details of the current KMP participants in the GARDA Employee Security Plan are set out below:

KMP	Issue date ⁴⁴	Securities granted	Exercise Price	Fair value at grant date	Loan value 30 June 2022	Vesting date
Matthew Madsen	13 Nov 2017	960,000	0.63	0.70	444,847	13 Nov 2020
	16 Apr 2020	5,000,000	1.00	0.06	4,782,096	16 Apr 2023
	18 Nov 2020	5,000,000	1.16	0.10	5,685,931	19 Nov 2023
Mark Hallett	16 Apr 2020	1,000,000	1.00	0.06	965,679	16 Apr 2023
David Addis	3 Jun 2019	320,000	1.08	0.24	316,570	3 Jun 2021
	23 Aug 2019	240,000	1.22	0.11	283,742	23 Aug 2021
	23 Aug 2019	240,000	1.22	0.10	283,742	23 Aug 2022
Lachlan Davidson	13 Nov 2017	160,000	0.63	0.11	74,190	13 Nov 2019
	13 Nov 2017	160,000	0.63	0.13	74,190	29 Nov 2019
	23 Aug 2019	240,000	1.22	0.11	282,740	23 Aug 2021
Total		13,320,000			13,193,727	

The GARDA Employee Security Plan limited recourse loans are not accounted for in the Consolidated Statements of Financial Position.

d) GARDA Equity Incentive Plan

The GARDA Equity Incentive Plan was approved by GARDA securityholders at the 2021 Annual General Meeting on 25 November 2021. Pursuant to that Plan, incentives have been awarded to employees during the reporting period in the form of:

- (i) Performance Rights; and
- (ii) Exempt Securities.

Details of Performance Rights awarded to KMP during the reporting period are set out in the following table:

KMP	Grant date	Securities granted	Exercise price	Fair value at grant date	Vesting date
David Addis	10 Dec 2021	36,231	-	\$1.52	31 Aug 2022
	10 Dec 2021	36,231	-	\$1.46	31 Aug 2023
	10 Dec 2021	36,233	-	\$1.39	31 Aug 2024
Lachlan Davidson	15 Dec 2021	18,115	-	\$1.59	31 Aug 2022
	15 Dec 2021	18,115	-	\$1.52	31 Aug 2023
	15 Dec 2021	18,117	-	\$1.46	31 Aug 2024
Total		163,042			

⁴⁴ Employee Security Plan Securities issued prior to the internalisation transaction on 29 November 2019 were issued under the former GARDA Capital Group employee security plan, with the number and exercise price of such securities being adjusted for the internalisation exchange ratio of 1.6x.

Details of Exempt Securities awarded to KMP during the reporting period are set out in the following table:

KMP	Grant date	Securities granted	Value at grant date
David Addis	10 Dec 2021	636	\$1.57
Lachlan Davidson	10 Dec 2021	636	\$1.57
Total		1,272	

NOTE 20 SECURITY BASED PAYMENTS EXPENSE

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

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
Securities granted under GARDA ESP	301	740	301	740
Securities awarded under GARDA Equity Incentive Plan	368	-	368	-
	669	740	669	740

a) Fair value of securities granted

The fair values at grant date for securities granted under the GARDA Employee Security Plan and incentives in the form of performance rights are 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.

b) GARDA Employee Security Plan

Details of securities under the limited recourse loan funded GARDA Employee Security Plan and the Black and Scholes option pricing model inputs for securities granted are set out below:

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 Nov 2017	13 Nov 2020	\$1.395	\$0.63	\$0.70	1,260,000	667,417	10%	6%	2%
3 Jun 2019	3 Jun 2021	\$1.395	\$1.08	\$0.24	480,000	474,931	10%	6%	2%
23 Aug 2019	23 Aug 2021	\$1.395	\$1.22	\$0.11	1,280,000	1,510,616	10%	6%	2%
23 Aug 2019	23 Aug 2022	\$1.395	\$1.22	\$0.10	640,000	756,644	10%	6%	2%
16 Apr 2020	16 Apr 2023	\$0.87	\$1.00	\$0.06	6,000,000	5,747,775	30%	9%	1%
18 Nov 2020 ⁴	19 Nov 2023	\$1.22	\$1.16	\$0.10	5,000,000	5,685,931	18%	6%	1%
					14,840,000	14,843,314			

There were no securities granted under the Employee Security Plan during the year. The weighted average remaining contractual life of options outstanding at the end of period was 1.01 years (FY21: 1.80 years). The expected price volatility is based on the historic average volatility of GARDA adjusted for any expected changes for future volatility due to publicly available information.

No securities were bought back and cancelled during the year or the prior year.

⁴⁵ As per AASB requirements, grant date is the AGM approval date.

c) GARDA Equity Incentive Plan – Performance Rights

Details of Performance Rights awarded to employees during the reporting period and the Black and Scholes option pricing model inputs for securities awarded are set out below:

Grant date range	Vesting date	Share price at effective grant date	Exercise price	Fair value at grant date range	Number of securities	Expected volatility	Dist'n yield	Risk free rate
10 - 15 Dec 2022	31 Aug 2022	1.57 - 1.64	-	\$1.52 - \$1.59	223,425	13%	4.5%	2%
10 - 15 Dec 2022	31 Aug 2023	1.57 - 1.64	-	\$1.46 - \$1.52	223,425	13%	4.5%	2%
10 - 15 Dec 2022	31 Aug 2024	1.57 - 1.64	-	\$1.39 - \$1.46	223,435	13%	4.5%	2%
					670,285			

The weighted average remaining contractual life of options outstanding at the end of period was 1.17 years. The expected price volatility is based on the historic average volatility of GARDA adjusted for any expected changes for future volatility due to publicly available information.

d) GARDA Equity Incentive Plan – Exempt securities

Details of Exempt Securities awarded to employees during the reporting period are set out in the following table:

Grant date	Securities granted	Value at grant date	Total
10 Dec 2021	10,176	\$1.57	\$15,976

Value at grant date has been determined as security price at grant date.

NOTE 21 AUDITOR'S REMUNERATION

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Remuneration of the auditor for:				
Audit and review of the group financial report	123,000	140,000	61,500	70,000
Audit of stand-alone financial reports of the group entities	12,000	11,600	12,000	11,600
Total remuneration for audit services	135,000	151,600	73,500	81,600
Remuneration of the auditor for:				
AFSL audit of the group entities	10,800	10,500	10,800	10,500
Review and audit of compliance plan	19,200	19,000	19,200	19,000
IT consulting services	-	10,000	-	10,000
Tax services	14,350	3,850	14,350	3,850
Total remuneration for non-audit services	44,350	43,350	44,350	43,350

NOTE 22 COMMITMENTS

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Future minimum lease payments receivable:				
Within 1 year	24,243	23,077	-	-
Between 1 and 5 years	104,676	88,237	-	-
Later than 5 years	9,317	29,828	-	-
	138,236	141,142	-	-

NOTE 23 RIGHT-OF-USE ASSETS

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Non-current				
Right-of-use assets	137	270	137	270
	137	270	137	270
Reconciliation				
Opening balance	270	403	270	403
Depreciation	(133)	(133)	(133)	(133)
Closing balance	137	270	137	270

GARDA leases its head office under an agreement which commenced in July 2020 and expires in July 2023. There is an option to renew the lease for further three years.

NOTE 24 LEASE LIABILITY

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Current	130	122	130	122
Non-current	-	130	-	130
	130	252	130	252

NOTE 25 CASH FLOW INFORMATION

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Reconciliation of cash flow from operations with profit/ (loss)				
Profit/ (loss) after income tax	140,519	35,689	(1,142)	(1,637)
Adjustments for items in profit or loss:				
Security based payment expense	669	740	669	740
Depreciation	161	175	161	175
Credit loss expense	6	369	6	369
Goodwill impairment expense	-	33,586	-	-
Net gain in fair value of investment properties	(111,642)	(50,671)	-	-
Net gain in fair value of derivative instruments	(12,832)	(3,593)	-	-
Amortisation of borrowing transaction costs	593	548	-	-
Net gain/(loss) on sale of investment properties	511	(881)	-	-
Lease revenue abatement and rent free	681	212	-	-
Lease straight-lining revenue	(1,137)	(1,302)	-	-
Lease costs and incentive amortisation	890	795	-	-
Interest expense on lease liabilities	5	8	5	8
Capitalised interest and fee income on commercial loans	(534)	(952)	-	(450)
Capitalised interest expense on investment properties	(1,469)	(916)	-	-
Movements in assets and liabilities:				
Trade and other receivables	1,873	(906)	(67)	(124)
Prepayments	(180)	(397)	(3)	(48)
Contract liabilities	135	(133)	-	-
Trade and other payables	(525)	(293)	91	466
Tenant security deposits	315	(104)	-	(13)
Provisions	56	30	56	30
Current tax liability	-	(2)	-	(2)
Deferred tax balances	(153)	(313)	(153)	(313)
Cash flow from / (used in) operations	17,942	11,689	(377)	(799)

a) Non-cash movements

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

b) 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 and loan payable to parent entities, are summarised below.

Year ended 30 June	GARDA		Company	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Bank borrowings				
Balance at the beginning of the year	209,030	186,653	-	-
Cashflows	49,275	21,829	-	-
Non-cash changes - amortisation of borrowing costs	593	548	-	-
Loan from parent entity				
Balance at the beginning of the year	-	-	5,044	1,433
Cashflows	-	-	15	2,871
Non-cash changes – Security based payment expense	-	-	669	740
Balance at the end of the year	258,898	209,030	5,728	5,044

NOTE 26 PARENT ENTITY INFORMATION

a) Parent Entity

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

30 June	2022	2021
	\$000	\$000
ASSETS		
Current assets	21,857	27,783
Non-current assets	674,866	497,586
Total assets	696,723	525,369
LIABILITIES		
Current liabilities	6,632	12,522
Non-current liabilities	259,458	209,275
Total liabilities	266,090	221,797
NET ASSETS	430,633	303,572
EQUITY		
Contributed equity	365,145	365,145
Reserve	1,837	1,184
Retained earnings	63,651	(62,757)
Total equity	430,633	303,572
PROFIT	141,730	24,702
Other comprehensive income	-	-
TOTAL PROFIT AND COMPREHENSIVE INCOME	141,730	24,702

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

b) Controlled entities of the Parent Entity

As at 30 June	Ownership Interest		Country of Incorporation
	2022	2021	
GARDA Capital Limited	100%	100%	Australia
GARDA Capital RE Limited	100%	100%	Australia
GARDA Capital Trust	100%	100%	Australia
GARDA Facilities Management Pty Ltd	100%	100%	Australia
GARDA Finance Pty Ltd	100%	100%	Australia
GARDA Funds Management Limited ATF GARDA Capital Trust	100%	100%	Australia
GARDA Holdings Limited	100%	100%	Australia
GARDA Property Finance Pty Ltd	100%	100%	Australia
GARDA Real Estate Services Pty Ltd	100%	100%	Australia
GARDA Services Pty Ltd	100%	100%	Australia
GARDA TSV Pty Ltd ATF GARDA TSV Unit Trust	100%	100%	Australia
GARDA TSV Unit Trust	100%	100%	Australia

NOTE 27 CONTINGENT ASSETS AND LIABILITIES

a) Contingent assets

The Group did not have any material contingent assets as at 30 June 2022 (FY21: The warranty and indemnity claim noted for FY21 was discontinued in December 2021).

b) Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2022 (FY21: nil).

NOTE 28 EVENTS SUBSEQUENT TO THE END OF THE PERIOD

As disclosed in the Operational Review, two Richmond properties, Botanicca 7 and Botanicca 9, have been identified as non-core to GARDA's strategy and portfolio and will be offered for sale.

On 29 July 2022, GARDA announced a \$40 million increase in its \$280 million syndicated debt facility, taking the facility to \$320 million.

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 2022 and of its performance for the financial year ended on that date,
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and
- (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

1 August 2022

INDEPENDENT AUDITOR'S REPORT



Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
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 2022, 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 2022 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 Group, 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 MARK NICHOLSON PETER CAMENZULI	JASON EVANS KYLIE LAMPRECHT NORMAN THURECHT	BRETT HEADRICK WARWICK FACE COLE WILKINSON	SIMON CHUN JEREMY JONES TOM SPLATT	JAMES FIELD DANIEL COLWELL ROBYN COOPER	FELICITY CRIMSTON CHERYL MASON KIERAN WALLIS	MURRAY GRAHAM ANDREW ROBIN KAREN LEVINE
--	---	--	--	---	--	---

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property Refer to Note 9: Investment Properties	
At 30 June 2022 the Group's consolidated statement of financial position includes investment properties, which are recorded at fair value, with a carrying value of \$650.73 million. This represents 93% of total assets. 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. The fair value is determined using the following two valuation methodologies: • The capitalisation of income method applies a capitalisation rate to normalised market operating income. • The discounted cash flow method involves the projection of a series of cash flows and terminal value calculations discounted to present value. Any change in the fair value of investment properties is recognised in the consolidated statement of profit or loss and other comprehensive income. External valuations include a material valuation uncertainty clause in relation to the valuation of investment properties. These clauses highlight that real estate markets are currently being impacted by COVID 19 and that this means that there is less certainty and consequently a higher degree of caution should be attached to the valuations than would normally be the case. This represents a significant estimation uncertainty in relation to the valuation of investment properties. This was considered a key audit matter due to the number of key judgements required in determining fair value. These key judgements include estimating 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 key judgements and inputs can lead to significant changes in the valuation. The financial report discloses the sensitivity of these valuations to changes in key judgements and inputs.	Our audit procedures included amongst others: • Obtaining an understanding of, and evaluating 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 external and director property valuations including an assessment of the appropriateness of the valuation methodology adopted; • 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 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 • Assessing the adequacy of the relevant disclosures in the financial report, including key judgements, inputs and sensitivity analysis.

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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 2022, 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 Group 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 skepticism 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.

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- 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 17 to 26 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of GARDA Property Group, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group 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



CHERYL MASON
Partner

Brisbane, Queensland
1st August 2022

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CORPORATE GOVERNANCE STATEMENT

The Board and management of GARDA 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 regularly reviews its governance arrangements as well as developments in market practice, expectations and regulation. The governance arrangements were reviewed in June 2022.

The Corporate Governance Statement has been approved by the Boards of the Company and GARDA Capital Limited (as responsible entity) and explain how the GARDA addresses the requirements of the *Corporations Act 2001*, the ASX Listing Rules and the ASX Corporate Governance Council's '*Corporate Governance Principles and Recommendations – 4th Edition*' (the 'ASX Principles and Recommendations'). It is current as at 30 June 2022.

GARDA's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in this statement, the 2022 Annual Report of the GARDA Property Group and other relevance governance documents and materials on the GARDA website (together the 'ASX Appendix 4G'), is provided in the corporate governance section of our website at <https://gardaproperty.com.au>.

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 GARDA reflects the current size, operations and industry in which GARDA and its related entities operate.

GARDA has complied with most of recommendations of the ASX Principles and Recommendations and has improved in many key areas during the year. 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

Securityholder information as at 27 July 2022.

Distribution of equity securities

Range	Securities	No. of holders	%
100,001 and Over	177,411,703	165	77.93
10,001 to 100,000	41,985,807	1,385	18.44
5,001 to 10,000	4,984,374	664	2.19
1,001 to 5,000	3,119,481	1,093	1.37
1 to 1,000	142,996	287	0.06
Total	227,644,361	3,594	100.00
Unmarketable parcels	2,341	88	2.46

Top 20 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	36,400,745	15.99
J P Morgan Nominees Australia Pty Ltd	13,297,822	5.84
Longhurst Management Services Pty Ltd	11,742,833	5.16
Madsen Nominees Pty Ltd	10,960,000	4.81
Australian Executor Trustees Limited	6,613,485	2.91
Madsen Nominees Pty Ltd	6,140,000	2.70
HSBC Custody Nominees (Australia) Limited	6,053,921	2.66
Mr Peter Zinn	4,989,674	2.19
Glenelg Park Nominees Pty Ltd	4,873,869	2.14
JJG Equities Pty Ltd	4,644,831	2.04
The Trust Company (Australia) Limited	4,223,517	1.86
Citicorp Nominees Pty Limited	3,643,608	1.60
Extra Large Pty Ltd	3,052,074	1.34
Asia Union Investments Pty Limited	3,000,000	1.32
Mr Peter John Zinn	3,000,000	1.32
National Nominees Limited	2,333,912	1.03
Pine Factory SF Pty Ltd	2,100,152	0.92
Mr Richard Eaton-Wells & Mrs Frances Catherine Economidis	2,015,438	0.89
Perrins RAP Pty Ltd	1,889,592	0.83
First Samuel Ltd	1,414,812	0.62
Total	132,390,285	58.16

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	36,400,745	15.99
Madsen Nominees Pty Ltd	17,900,000	7.86
J P Morgan Nominees Australia Pty Limited	13,297,822	5.84
Longhurst Management Services Pty Ltd	11,742,833	5.16
Total	79,341,400	34.85

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 2001* 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.

GLOSSARY

AASB	Australian Accounting Standards Board
Adjusted gearing	Adjusted gearing ratio is calculated as adjusted total liabilities divided by adjusted total assets
ARSC	Audit, Risk and Sustainability Committee
CAGR	Compound annual growth rate
Company	GARDA Holdings Limited (ACN 636 329 774)
DA	Development Application
FFO	Funds from operations are 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 one-off items. FFO is not recognised or covered by Australian Accounting Standards and has not been audited or reviewed by the auditor of the Group.
Fund	GARDA Diversified Property Fund (ARSN 104 391 273)
GARDA	GARDA Property Group
GDF	GARDA Diversified Property Fund (ARSN 104 391 273)
Gearing	$(\text{Total drawn interest-bearing debt less cash}) / (\text{total assets less cash})$
GHL	GARDA Holdings Limited (ACN 636 329 774)
GFA	Gross floor area
Group	GARDA Property Group
GST	Goods and Services Tax
LVR	$(\text{Total drawn interest-bearing debt}) / (\text{total bank approved secured property})$
NRC	Nomination and Remuneration Committee
NLA	Net lettable area
NTA	Net tangible assets
ROE	Return on equity. Calculated as (total distributions plus movement in NTA in financial year) divided by opening NTA.
TSR	Total securityholder return. Calculated as (total distributions plus movement in security price in financial year) divided by opening security price.
WACD	Weighted average cost of debt
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry
WANOS	Weighted average number of securities

CORPORATE DIRECTORY

DIRECTORS

Matthew Madsen
Executive Chairman and Managing Director

Mark Hallett
Executive Director

Paul Leitch
Independent Director

Morgan Parker
Independent Director

Andrew Thornton
Non-executive Director

COMPANY SECRETARY

Lachlan Davidson
General Counsel and Company Secretary

REGISTERED OFFICE

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SHARE REGISTRY

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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)

