



INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

CONTENTS

01	DIRECTORS' REPORT	4
02	AUDITOR'S INDEPENDENCE DECLARATION	7
03	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
04	STATEMENT OF FINANCIAL POSITION	9
05	STATEMENT OF CHANGES IN EQUITY	10
06	STATEMENT OF CASH FLOWS	11
07	NOTES TO THE FINANCIAL STATEMENTS	12
08	DIRECTORS' DECLARATION	21
09	INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS	22

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by GARDA Diversified Property Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These financial statements of GARDA Diversified Property Fund are as an individual entity. The financial statements are presented in the Australian currency.

GARDA Diversified Property Fund is a property Fund, incorporated and domiciled in Australia. Its registered office and principal place of business is:

GARDA Diversified Property Fund
Level 21
12 Creek Street
BRISBANE QLD 4000

The financial statements were authorised for issue by the directors on 26 February 2016. The directors have the power to amend and reissue the financial statements.

01

DIRECTORS' REPORT

The directors of GARDA Capital Limited, the responsible entity of GARDA Diversified Property Fund (**Fund**), present their report together with the financial statements of the Fund, for the half year ended 31 December 2015.

INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY

The directors of GARDA Capital Limited during the whole of the half year and up to the date of this report:

MR DAVID USASZ	Independent Chairman
MR MATTHEW MADSEN	Managing Director
MR MARK HALLETT	Non-Executive Director
MR PHILIP LEE	Non-Executive Director
MR LEYLAN NEEP	Executive Director

PRINCIPAL ACTIVITY

The Fund invests in commercial and industrial properties and other assets in accordance with the provisions of the Fund's constitution. There were no significant changes in the nature of the Fund's activities during the year.

REVIEW AND RESULTS OF OPERATIONS

Total unitholders' equity at 31 December 2015 was \$95.838 million (30 June 2015: \$99.925 million), a decrease of the prior period of \$4.087 million reflective largely of the on-market buy-back of units in the Fund by the responsible entity of approximately 3.242 million units, and the distributions paid to unitholders during the period. Net tangible assets for the half year ended are \$1.020 per unit (30 June 2015: \$1.028).

A net profit of \$3.390 million was generated this half year, an increase of \$3.550 million from the prior half year's loss of \$0.16 million.

In accordance with Australian Accounting Standards, net profit includes a number of non-cash adjustments including fair value movements in asset and liability values. Funds from Operations¹ (**FFO**) is a global financial measure of real estate operating performance after finance costs and taxes, and is adjusted for certain non-cash items.

The responsible entity considers FFO to be a measure that reflects the underlying performance of the Fund. The following table reconciles between profit (loss) attributable to unitholders and FFO.

¹ FFO comprises net profit/loss after tax attributable to unitholders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight-line rent adjustments, and one-off items.

DIRECTORS' REPORT CONT.

REVIEW AND RESULTS OF OPERATION CONT.

	31 DECEMBER 2015 \$000'S	31 DECEMBER 2014 \$000'S
Net profit/(loss) for the half year attributable to unitholders	3,390	(160)
Fair value movement in investment properties	590	520
Net loss on fair value of derivative financial instrument	491	-
Loss on sale of investment properties	-	678
Impairment of receivables	-	16
Incentives amortisation and rent straight-line	(444)	(134)
Funds From Operations (FFO)	4,027	920
Distribution paid and payable	4,275	326

FFO is a measure which is not calculated in accordance with International Financial Reporting Standards and has not been audited or reviewed by the auditor of GARDA Diversified Property Fund.

FFO of \$4.027 million were generated during the period representing an increase of \$3.107 million from the prior year (2014: \$0.920 million). The increase in FFO is a result of a decrease in finance costs in the current period. With the reduction of debt from \$122.0 million to \$42.6 million following the recapitalisation of the Fund in June 2015, finance costs have therefore decreased significantly in 2016 from the prior year.

FFO is \$0.248 million lower than distributions for the half year due to a material rent free incentive that expired on 30 November 2015. As a result of the expiry of this incentive, the tenant will contribute six months income in the second half of the financial year compared to one month in the first half, resulting in an increase to revenue of approximately \$1.4 million during the period. Distributions for the full year are anticipated to represent a payout ratio of 95%.

Net loss on fair value of derivative financial instruments of \$0.491 million is as a result of mark to market valuation of interest rate swap contracts on the loan facility totalling \$42.6 million.

The Fund generated operational cash flows of \$3.616 million for the half year (2014: \$0.851 million).

STATE OF AFFAIRS

On 30 June 2015, the Fund was admitted on to the official list of the Australian Securities Exchange (ASX) and on 2 July 2015, the Fund began trading on the ASX.

On 2 July 2015, the responsible entity commenced an on-market buy-back of units in the Fund, as approved by members at an extraordinary general meeting held in May 2015. At report date, the responsible entity had bought back (units subsequently cancelled) approximately 3.242 million units in the Fund funded from working capital and debt.

As part of the new debt arrangements with St. George Bank, on 3 July 2015, the responsible entity entered into a four year fixed rate swap agreement at an effective rate of 3.845% for a term of four years.

DIRECTORS' REPORT CONT.

AFTER BALANCE DATE EVENTS

Following further debt drawdowns of \$2 million in December 2015, the responsible entity on 4 January 2016 entered into a \$2 million fixed rate swap for a term of approximately 3.5 years to align with the initial \$42.6m draw, at an annualised rate of 3.78% per annum.

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

ROUNDING OF AMOUNTS

The Fund is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order.

AUDITOR

BDO continues in office in accordance with section 331 of the *Corporations Act 2001*.

This report is signed in accordance with a resolution of the board of directors of GARDA Capital Limited, the responsible entity of GARDA Diversified Property Fund.



Mr David Usasz

Chairman

26 February 2016



Mr Matthew Madsen

Managing Director

26 February 2016



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF GARDA CAPITAL LIMITED AS RESPONSIBLE ENTITY OF GARDA DIVERSIFIED PROPERTY FUND

As lead auditor for the review of GARDA Diversified Property Fund for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 26 February 2016

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

03

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	NOTES	HALF YEAR	
		31 DECEMBER 2015 \$000'S	31 DECEMBER 2014 \$000'S
Revenue		8,493	9,755
Property expenses		(2,401)	(2,579)
Trust level expenses		(769)	(883)
Finance costs	3	(852)	(4,974)
Net loss on financial instrument held at fair value through profit and loss		(491)	(265)
Fair value movement in investment properties		(590)	(520)
Net loss on sale of investment properties	4	-	(678)
Impairment of receivables		-	(16)
Profit/ (loss) for the half year		3,390	(160)
Other comprehensive income for the half year		-	-
Total comprehensive income (loss) for the half year attributable to:			
Owners of GARDA Diversified Property Fund		3,390	(160)
Basic and diluted profit (loss) per unit attributable to the unitholders of GARDA Diversified Property Fund			
Basic and diluted profit / (loss) per unit (cents per unit)	6	3.53	(0.74)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

04

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	NOTES	31 DECEMBER 2015 \$'000'S	30 JUNE 2015 \$'000'S
ASSETS			
Current assets			
Cash and cash equivalents		2,128	3,233
Trade and other receivables		527	353
Total current assets		2,655	3,586
Non current assets			
Investment properties		141,881	140,650
Total non-current assets		141,881	140,650
Total assets		144,536	144,236
LIABILITIES			
Current liabilities			
Trade and other payables		1,468	1,696
Distribution payable	5	2,134	-
Total current liabilities		3,602	1,696
Non current liabilities			
Tenant security deposits		274	308
Borrowings		44,331	42,307
Derivative financial instrument	7	491	-
Total non current liabilities		45,096	42,615
Total liabilities		48,698	44,311
Net assets		95,838	99,925
NET ASSETS			
Issued Capital	8	207,951	211,152
Retained losses		(112,113)	(111,227)
Total equity		95,838	99,925

The above statement of financial position should be read in conjunction with the accompanying notes.

05

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	CONTRIBUTED EQUITY \$000'S	RETAINED EARNINGS \$000'S	TOTAL \$000'S
Balance at 1 July 2014	138,764	(104,388)	34,376
Loss for the half year	-	(160)	(160)
Other comprehensive income	-	-	-
Total comprehensive loss for the half year	-	(160)	(160)
Transactions with owners in their capacity as owners			
Distributions provided for or paid	-	(326)	(326)
Distributions reinvested	24	-	24
Balance at 31 December 2014	138,788	(104,874)	34,914
Balance at 1 July 2015	211,152	(111,227)	99,925
Profit for the half year	-	3,390	3,390
Other comprehensive income	-	-	-
Total comprehensive income for the half year	-	3,390	3,390
Transactions with owners in their capacity as owners			
Unit Buy Back	(3,201)	-	(3,201)
Distributions provided for or paid	-	(4,276)	(4,276)
Balance at 31 December 2015	207,951	(112,113)	95,838

The above statement of changes in equity should be read in conjunction with the accompanying notes.

06

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	HALF YEAR		
	NOTES	31 DECEMBER 2015 \$000'S	31 DECEMBER 2014 \$000'S
Cash flows from operating activities			
Rental and outgoings received		8,263	9,396
Cash payments in the course of operations		(3,544)	(3,742)
Interest received		15	15
Finance costs		(828)	(4,447)
GST paid		(290)	(371)
Net cash provided by operating activities		3,616	851
Cash flows from investing activities			
Payments for investment property improvements		(1,268)	(1,469)
Payments for leasing fees		(101)	(279)
Payments for costs associated with sale of investment properties		-	(378)
Proceeds on sale of investment properties		-	14,350
Net cash provided by/(used in) investing activities		(1,369)	12,224
Cash flows from financing activities			
Repayments of borrowings		-	(14,230)
Proceeds of borrowings		2,000	570
Payments for borrowing and establishment costs		-	(50)
Units bought back including brokerage costs		(3,211)	-
Distributions paid	5	(2,141)	(299)
Net cash used in financing activities		(3,352)	(14,009)
Net decrease in cash and cash equivalents		(1,105)	(934)
Cash and cash equivalents at the beginning of the half year		3,233	3,026
Cash and cash equivalents at end of the half year		2,128	2,092

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the half year reporting period ended 31 December 2015 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Fund as the full financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2015 and any public announcements made by GARDA Capital Limited during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have generally been followed in these half year financial statements as compared with the most recent annual financial statements. There have been no new accounting policies adopted for the first time in these financial statements except for the following:

Derivative Financial Instruments

The Fund used a derivative financial instrument (interest rate swap) during the half year to hedge its risks associated with interest rate fluctuations on the bank loans. The following accounting policy has been adopted by the directors to determine the accounting for the derivative financial instruments:

- Derivatives are initially measured at fair value on the date a derivative contract is entered into and are subsequent measured at fair value at each reporting date. The net fair value of derivative financial instruments outstanding at the balance date are recognised in the statement of financial position as either financial asset or liability.
- Accounting option as per AASB 139: Financial Instruments: Recognition and Measurement to classify the interest rate swap as a cash flow hedge has not been used and accordingly these are classified as at fair value through profit or loss, and the change in the fair value of the derivative financial instruments recognised in the statement of profit and loss.

The historical cost basis has been used, except for investment properties and derivatives which have been measured at fair value.

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material impact on the amounts recognised in the financial statements of the Fund for the current or prior periods.

The Fund is in a working capital deficiency position of \$0.947 million at 31 December 2015 due to funding a significant portion of the unit buy-back from working capital and distributions payable of \$2.134 million.

The directors believe that the going concern basis of preparation is appropriate, and accordingly have prepared the financial report on this basis.

(a) Rounding of amounts

The Fund is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order.

NOTE 2 - SEGMENT INFORMATION

The Fund operates in one segment, being investment in Australian commercial property. The Fund has one industrial property but this is reported to the chief decision maker as part of the commercial property segment. The Fund has determined its one operating segment based on the internal information that is provided to the chief operating decision maker and which is used in making strategic decisions. The Managing Director of the responsible entity has been identified as the Fund's chief operating decision maker. There are no reconciling items.

NOTE 3 - FINANCE COSTS

Finance costs for the half year ended 31 December 2015 are \$0.852 million compared to \$4.974 million in prior year. The decrease of \$4.122 million is a result of reduction in debt from \$122.0 million to \$42.6 million following the recapitalisation of the Fund in June 2015.

NOTE 4 - NET LOSS ON SALE OF INVESTMENT PROPERTIES

Net loss on investment properties in prior year relates to the sale of property at 700 Springvale Road, Mulgrave.

NOTE 5 - DISTRIBUTIONS

	HALF YEAR	
	31 DECEMBER 2015 \$000'S	31 DECEMBER 2014 \$000'S
Income distributions provided for and/or paid by the Fund during the period were:		
Half year ended 31 December 2015 4.5 cents per unit (2014: 0.15 cents)	(4,276)	(326)

Distributions declared for the quarter ended 31 December 2015 of \$2.114 million but not paid until after half year end have been provided for. Total distributions not paid as at 31 December 2015 was \$2.134 million, including withholding tax of \$0.02 million.

NOTE 6 - EARNINGS PER UNIT

PROFIT /(LOSS) ATTRIBUTABLE TO THE UNITHOLDERS OF GARDA DIVERSIFIED PROPERTY FUND:	HALF YEAR	
	31 DECEMBER 2015 \$000'S	31 DECEMBER 2014 \$000'S
Profit / (loss) from continuing operations	3,390	(160)
Basic and diluted profit / (loss) per unit (cents per unit) for continuing operations	3.53	(0.74)
Weighted average number of ordinary shares used in the calculation of basic and diluted profit / (loss) per unit*	95,933,072	21,600,713

*Prior year weighted average number of ordinary shares was adjusted for the unit consolidation in May 2015 for comparative purposes.

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	HALF YEAR	
	31 DECEMBER 2015 \$000'S	31 DECEMBER 2014 \$000'S
Non-current liabilities		
Interest rate swap contracts	491	-

The Fund has entered into interest rate swap contracts totalling \$42.6 million under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The contracts require settlement of net receivable or payable each quarter. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

As explained in Note 1, the interest rate swaps have not been designated as hedges for accounting purposes and hence all changes in fair value are recognised immediately in the statement of profit and loss. During the half year ended 31 December 2015, a net loss on fair value of interest rate swap for \$0.49 million has been recognised in the statement of profit and loss.

NOTE 8 - ISSUED UNITS

	31 DECEMBER 2015 NUMBER	30 JUNE 2015 NUMBER	31 DECEMBER 2015 \$000'S	30 JUNE 2015 \$000'S
Issued units	93,905,257	97,202,170	207,951	211,152
Movements during the half year				
Balance at beginning of year	97,202,170	214,703,053	211,152	138,764
Distributions reinvested	-	238,539	-	39
Consolidation 9.95:1	-	(193,339,422)	-	-
Units bought back	(3,242,605)	-	(3,201)	-
Equity issue	-	5,600,000	-	5,600
Capital raising	-	70,000,000	-	70,000
Issue costs	-	-	-	(3,251)
Balance at end of half year	93,959,565	97,202,170	207,951	211,152

NOTE 9 - CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2015, no new matters were noted compared to matters already disclosed in the 30 June 2015 Annual Financial Report.

NOTE 10 - RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Responsible entity

The responsible entity of the Fund is GARDA Capital Limited.

UNITHOLDINGS (NUMBER OF UNITS) 31 DECEMBER 2015	OPENING BALANCE	DISPOSALS	ADDITIONS	CLOSING BALANCE
Responsible entity				
GARDA Capital Limited	4,704	(4,704)	-	-
Other related entities				
GARDA REIT Holdings Unit Trust	10,000,000	-	4,710	10,004,710
30 JUNE 2015	OPENING BALANCE	CONSOLIDATION 9.95:1	ADDITIONS	CLOSING BALANCE
Responsible entity				
GARDA Capital Limited	48,800	(44,096)	-	4,704
Other related entities				
GARDA REIT Holdings Unit Trust	-	-	10,000,000	10,000,000

Transactions with Related Parties

(a) Responsible entity's fees and other transactions

Under the Fund constitution, the responsible entity is entitled to receive the following fees:

- A management fee of 0.65% per annum of gross asset value (GAV) (reducing to 0.60% per annum of GAV in excess of \$750 million).
- Capital works fee amounting to 5% of the total capital costs incurred in relation to the investment properties.

NOTE 10 - RELATED PARTY TRANSACTIONS (continued)

The transactions during the period and amounts payable at half year end between the Fund and the responsible entity were as follows:

	HALF YEAR	
	31 DECEMBER 2015 \$	31 DECEMBER 2014 \$
Responsible entity's fees		
Management fee	459,610	485,783
Capital works fee	57,472	66,633
	517,082	552,416
Other transactions with the responsible entity		
Recovery of accounting and funds administration expenses	39,561	72,878
Registry Costs	-	27,000
Distributions paid on units held in the Fund by the responsible entity	-	71
Administration costs reimbursed in accordance with the Fund Constitution	7,076	6,120
	46,637	106,069

(b) Transactions with related parties

During the period GARDA Real Estate Services Pty Ltd, GARDA Facilities Management Pty Ltd and GARDA Services Pty Ltd were engaged to undertake property/facilities management for the properties owned by the Fund and other services on behalf of the responsible entity. During the prior half year GARDA Finance Pty Ltd was engaged to undertake financial intermediary management services for the Fund. These entities are subsidiaries of the responsible entity. All transactions were of a commercial nature on an arm's length basis. The fees paid for those services and administration costs reimbursed during the half year were as follows:

	HALF YEAR	
	31 DECEMBER 2015 \$	31 DECEMBER 2014 \$
GARDA Real Estate Services Pty Ltd	409,544	823,690
GARDA Facilities Management Pty Ltd	75,060	83,676
GARDA Services Pty Ltd	45,825	57,470
GARDA Finance Pty Ltd	-	278,123
	530,429	1,242,959

NOTE 10 - RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

During the half year ended 31 December 2015, the Fund paid a total of \$73,502 (2014: \$33,233) in legal fees to Hallett Legal Pty Ltd, a related entity of Mark Hallett who is a director of the responsible entity. A total of \$2,883 (30 June 2015: \$15,393) was outstanding at half year end.

During the half year ended 31 December 2015, the Fund paid a total of \$Nil (2014: \$57,600) in financial intermediary management fees to GARDA Finance Pty Ltd (prior to the company becoming a subsidiary of the responsible entity), a related entity of Matthew Madsen who is a director of the responsible entity. These expenses were incurred on normal commercial terms.

During the half year distributions provided for and/or paid to GARDA Reit Holdings Unit Trust was \$450,212 (2014: \$Nil).

(c) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	31 DECEMBER 2015 \$	30 JUNE 2015 \$
Current payables		
GARDA Capital Limited	(85,178)	(69,969)
GARDA Real Estate Services Pty Ltd	(61,256)	(87,849)
GARDA Services Pty Ltd	(3,398)	(8,854)
	(147,817)	(166,672)

NOTE 11 - FAIR VALUE MEASUREMENT

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

- Derivative financial instruments
- Investment properties

Assets classified as held for sale are measured at fair value on a non-recurring basis.

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

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

Level 2 – the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

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

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

The Fund'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.

NOTE 11 - FAIR VALUE MEASUREMENT (continued)

Disclosed fair values

The Fund also has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to the financial statements.

Due to their short-term nature, the carrying amount of trade receivables and payables are assumed to approximate their fair values.

For derivative financial instruments (interest rate swap), fair value was determined by St. George Bank. The valuation models used by banks are industry standard and mostly employ a Black-Scholes framework to calculate the expected future value of payments by derivative which is discounted back to present value. The models' interest rate inputs are benchmark interest rates and as such input parameters into the models are deemed observable, thus these derivatives are categorised as Level 2 instruments.

NOTE 12 - INVESTMENT PROPERTIES

	HALF YEAR	
	31 DECEMBER 2015 \$000'S	30 JUNE 2015 \$000'S
Investment properties	141,881	140,650

MOVEMENTS DURING THE PERIOD	31 DECEMBER 2015 \$000'S	30 JUNE 2015 \$000'S
Balance at beginning of the period	140,650	138,550
Movements in fair value	(590)	(711)
Capital additions	1,230	1,651
Straight-lining of rental income	98	(325)
Net movement in leasing fees and incentives	493	1,485
Balance at end of the period	141,881	140,650

NOTE 12 - INVESTMENT PROPERTIES (continued)

Investment property valuations details

The basis of the valuation of investment properties is fair value being the amounts for which the properties could have been exchanged between willing parties in an arm's length transaction, based on current prices in an active market. The 30 June 2015 valuations were based on independent assessments made by qualified and suitably experienced certified practicing external valuers, using a capitalisation approach and the discounted cash approach as the primary valuation methods. These approaches have in turn been checked by the direct comparison approach and analysed on a rate per square metre of total lettable area. These valuations were undertaken by independent assessment in April 2015. The specific key assumptions and variables adopted in the valuations are set out below.

The valuations at 31 December 2015 are directors' valuations based on the independent valuations at 30 June 2015 plus all capital expenditure for the period, which has been deemed by directors as accretive.

Independent valuations at 30 June 2015

PROPERTY	VALUATION BASIS	CAPITAL- ISATION RATE	NET MARKET INCOME \$000'S	ADJUSTMENTS \$000'S	VALUATION \$000'S
B2, 747 Lytton Road, Murarrie	Independent	8.87%	1,277	(547)	13,600
Land at 26-30 Grafton Street, Cairns	Independent	n/a	n/a	n/a	1,200
7-19 Lake Street, Cairns	Independent	9.25%	3,944	(6,770)	35,800
142-150 Benjamin Place, Lytton	Independent	8.50%	698	(267)	7,950
12-14 The Circuit, Brisbane Airport	Independent	9.33%	2,050	(1,889)	20,000
436 Elgar Rd, Box Hill	Independent	9.00%	1,751	(849)	18,500
154 Varsity Parade, Varsity Lakes	Independent	9.00%	1,170	(1,003)	12,000
572 – 576 Swan Street, Richmond	Independent	8.00%	2,596	(713)	31,600
					140,650

NOTE 13 - EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Following further debt drawdowns of \$2 million in December 2015, the responsible entity on 4 January 2016 entered into a \$2 million fixed rate swap for a term of approximately 3.5 years to align with the initial \$42.6m draw, at an annualised rate of 3.78% per annum.

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

08

DIRECTORS' DECLARATION

In the opinion of the directors of GARDA Capital Limited, the responsible entity of GARDA Diversified Property Fund:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Fund's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, after taking into consideration the extent to which such debts are limited-recourse in nature or owing to the responsible entity.

Signed in accordance with a resolution of directors of GARDA Capital Limited, the responsible entity of GARDA Diversified Property Fund made pursuant to section 303(5) of the Corporations Act 2001.



Mr David Usasz

Chairman

26 February 2016



Mr Matthew Madsen

Managing Director

26 February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Unit Holders of GARDA Diversified Property Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of GARDA Diversified Property Fund, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information and the directors' declaration of GARDA Capital Limited as Responsible Entity of GARDA Diversified Property Fund.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the fund's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of GARDA Diversified Property Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of GARDA Diversified Property Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the registered scheme's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDO Audit Pty Ltd

P A Gallagher
Director

Brisbane, 26 February 2016

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

