



ANNUAL FINANCIAL REPORT
YEAR ENDED 30 JUNE 2016

CONTENTS

01	DIRECTORS' REPORT	4
02	AUDITOR'S INDEPENDENCE DECLARATION	13
03	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	14
04	STATEMENT OF FINANCIAL POSITION	15
05	STATEMENT OF CHANGES IN EQUITY	16
06	STATEMENT OF CASH FLOWS	17
07	NOTES TO THE FINANCIAL STATEMENT	18
08	CORPORATE GOVERNANCE STATEMENT	41
09	ADDITIONAL ASX INFORMATION	42
10	CORPORATE DIRECTORY	44
11	DIRECTORS' DECLARATION	45
12	INDEPENDENT AUDITOR'S REPORT	46

01

DIRECTORS' REPORT

The directors of GARDA Capital Limited, the responsible entity (RE) of GARDA Diversified Property Fund (Fund), provide this report together with the financial report of the Fund, for the year ended 30 June 2016 and the auditor's report thereon.

INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY

The directors of GARDA Capital Limited at any time during or since the end of the financial year and up to the date of this report are:

MR DAVID USASZ *BCom SF Fin FCA FAICD*

Independent Chairman (appointed 21 May 2015)

Experience and Special Responsibilities

David has 40 years' industry experience, including as a partner for 20 years with PricewaterhouseCoopers in Australia and Hong Kong, and has been involved in tax, merger and acquisition advice and corporate advisory consultancy, specialising in corporate reorganisations.

He was previously a Non-Executive Director of the Cromwell Group having served for over 8 years and of Queensland Investment Corporation Ltd.

David has also served as a Non-Executive Director and Chairman of Ambre Energy Limited and Ambre Fuels Limited, a Non-Executive Director of URBIS Pty Ltd and he has acted on advisory boards for private companies including Stanbroke Pastoral Company and Carter & Spencer Group.

He holds a Bachelor of Commerce from the University of Queensland, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.

MR MATTHEW MADSEN *DipFin DipFinMrkt MAICD*

Managing Director (appointed 22 September 2011)

Experience and Special Responsibilities

Matthew has almost 20 years' experience in the funds management industry, predominantly in director roles.

Matthew also has significant property and property finance experience, acting (including in the GARDA Capital Group) as a finance intermediary focused on larger construction and property investment funding.

As Managing Director and a substantial shareholder (through an associate) of the GARDA Capital Group, Matthew has been responsible for the repositioning of the Group as a member of the Board since September 2011.

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

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

MR MARK HALLETT LLB

Non-Executive Director (appointed 31 January 2011)

Experience and Special Responsibilities

Mark has in excess of 30 years' industry and legal experience. A qualified solicitor, Mark has an impressive range of diverse industry experiences across all aspects of corporate litigation, restructuring, and commercial property.

Mark is a Principal and legal practice director of Hallett Legal Pty Ltd. Mark has a great depth of skills and experience in business ownership and strategic management.

Mark is active in managing successful property syndicates for business associates and continues to advise the industry on property investment, legal and corporate restructuring.

MR PHILIP LEE BCom MAICD

Non-Executive Director (appointed 21 May 2015)

Experience and Special Responsibilities

Philip has over 28 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.

He currently holds the position of Executive Director Corporate Advisory primarily focused on raising capital for growing companies.

Philip chairs Morgans' Risk and Underwriting Committees. Philip holds a Bachelor of Commerce from the University of Canterbury, is a Member of the Australian Institute of Company Directors and is a Senior Fellow of Finsia.

MR LEYLAN NEEP BCom CPA GAICD GIA(Cert)

Executive Director (appointed 31 July 2014)

CFO (appointed 30 July 2012)

Company Secretary (appointed 30 July 2012, resigned 28 July 2016)

Experience and Special Responsibilities

Leylan has over 17 years' experience in the financial services industry with a strong track record in finance and funds management.

Prior to commencing with the GARDA Capital Group, he was the Chief Operating Officer at Blue Sky Alternative Investments Limited, and was responsible for all of the operational activities of the group, including accounting, funds administration, information technology, and compliance.

Leylan has worked for a broad range of fund managers and financial institutions including positions as an Associate Director at UBS Investment Bank and as an analyst with GLG Partners, a London based hedge fund. Leylan also has extensive experience in finance roles with several international investment banks.

Leylan holds a Bachelor of Commerce from Bond University and is a qualified Certified Practising Accountant (CPA). Leylan is a member of both the Australian Institute of Company Directors and the Governance Institute of Australia.

DIRECTORSHIPS OF LISTED ENTITIES HELD WITHIN THE LAST THREE YEARS

DIRECTORS	LISTED ENTITY	TYPE	APPOINTED	RESIGNED
David Usasz	Cromwell Group Limited	Non-Executive Director	26 April 2007	26 November 2014
	Queensland Mining Corporation Limited	Non-Executive Director	15 June 2007	28 February 2013
	GARDA Capital Group	Chairman	21 May 2015	-
Matthew Madsen	GARDA Capital Group	Executive Director	22 Sept 2011	-
Mark Hallett	GARDA Capital Group	Non-Executive Director	31 Jan 2011	-
Philip Lee	GARDA Capital Group	Non-Executive Director	21 May 2015	-
Leylan Neep	GARDA Capital Group	Executive Director	31 July 2014	-

INTERESTS IN THE UNITS AND OPTIONS OF THE FUND AND RELATED BODIES CORPORATE

At the date of this report, the interest of the directors in the units of GARDA Diversified Property Fund are:

	UNITS AT 30 JUNE 2016	UNITS AT DATE OF REPORT
Directors of GARDA Capital Limited		
Mr David Usasz	205,000	205,000
Mr Matthew Madsen	97,893	97,893
Mr Mark Hallett	-	-
Mr Philip Lee	50,000	50,000
Mr Leylan Neep	-	-

The directors of the responsible entity hold no options or rights over interests in the Fund.

COMPANY SECRETARY OF THE RESPONSIBLE ENTITY

The company secretary of the responsible entity, GARDA Capital Limited is Mr Lachlan Davidson. Mr Davidson was appointed as Company Secretary on 28 July 2016. Mr Davidson has been with the responsible entity since January 2014 and is a qualified lawyer with over 20 years legal experience, and also has compliance, company secretarial and governance experience in the financial services industry.

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

During the year, the Fund's total assets increased to \$156.4 million from \$144.2 million, an increase of \$12.2 million largely due to the increase in investment property valuations.

A net profit of \$17.9 million was generated during the year, an increase of \$24.2 million compared to prior year loss of \$6.3 million. The net profit increase is primarily as a result of fair value increment in investment properties of \$10.1 million and the reduction of finance costs of \$10.7 million. Finance costs reduced significantly as debt reduced from \$122.0 million to \$42.6 million following the listing of the Fund on 2 July 2015.

The portfolio delivered a \$12.45 million increase in value, contributing to a \$0.10 increase in net tangible assets (NTA) per unit. Of significant note, the Fund's flagship property located in Cairns, and the primary focus of the capital improvements program, experienced a \$5.2 million individual increase in valuation. The total expenditure for the capital improvements program for the 2016 financial year was \$2.7 million.

Total liabilities increased to \$50.4 million from \$44.3 million, an increase of \$6.1 million due to drawdowns on the senior debt facility totalling \$3.0 million, an accrual for the June 2016 quarter distribution payable of \$2.1 million, and a mark-to-market loss on interest rate swaps of approximately \$1 million. The increased borrowings of \$3.0 million and funds from working capital were applied to a combination of the capital improvements program (\$2.7 million) and the Fund's on-market buy-back of GDF units (\$3.3 million).

Total unitholders' equity at 30 June 2016 was \$106.0 million, an increase of \$6.1 million on the prior year's balance of \$99.9 million, which was reflective of the Fund's net profit of \$17.9 million less amounts distributed to unitholders of \$8.5 million. The total unitholder equity was also reduced during the year by \$3.3 million (2015: \$Nil) from the on-market buy-back of units in the Fund by the responsible entity.

Net tangible assets for the year ended 30 June 2016 are \$1.130 per unit, an increase of \$0.102 per unit on prior year NTA per unit of \$1.028.

The Fund was in a net current asset deficiency position as at 30 June 2016 of \$0.8 million largely attributable to working capital having been applied to partially fund (in combination with additional borrowings) both the Fund's on-market buy-back of GDF units and the Fund's capital improvements program. This net current asset deficiency has been eliminated by cash flow from operations (at the date of this report).

During the year, the RE was able to execute new leases and existing renewals across 4,501m² which is approximately 10% of the portfolio total net lettable area of 45,088m². Portfolio occupancy reduced marginally to 92% (2015: 94%) whilst leases executed held the portfolio's weighted average lease expiry (WALE) relatively stable at 2.9 years (2015: 3.3 years).

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.

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.

The RE considers FFO to be a measure that reflects the underlying performance of the Fund. The following table reconciles between profit attributable to unitholders and FFO:

	2016 \$000'S	2015 \$000'S
Net profit/(loss) for the year attributable to unitholders	17,864	(6,302)
Net loss on financial liabilities held at fair value through profit and loss	1,127	2,445
Fair value movement in investment properties	(10,093)	711
Loss on sale of investment properties	-	686
Impairment of receivables	-	1
Incentive amortisation and rent straight-line	178	(621)
One-off Item – Recapitalisation and refinance costs	-	3,555
Funds From Operations (FFO)	9,076	475
Distribution paid and payable	8,497	537

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 \$9.1 million was generated during the period representing an increase of \$8.6 million from the prior year (2015: \$0.5 million). The increase in FFO is a result of a decrease in finance costs in the current period.

The Fund generated positive operational cash flows of \$8.9 million for the year (2015: negative \$2.5 million). This is due to a decrease in finance costs in the current period.

Net loss on fair value of derivative financial instruments of \$1.1 million is as a result of mark to market valuation of interest rate swap contracts on the loan facility totalling \$45.6 million.

Property Valuations

At 30 June 2016 the Fund held seven investment properties totalling \$153.1 million in value as reflected by independent valuations. Full independent valuations were conducted 1 June 2016 and adopted as at 30 June 2016 for all properties. (See note 7 for further detail).

On a like for like property basis, independent valuations have increased by 8.9% for the properties held at 30 June 2016.

INVESTMENT PROPERTIES	2016 \$000'S	2015 \$000'S
B2, 747 Lytton Road, Murarrie	14,100	13,600
Land at 26-30 Grafton Street, Cairns	1,200	1,200
7-19 Lake Street, Cairns	41,000	35,800
142-150 Benjamin Place, Lytton	8,600	7,950
12-14 The Circuit, Brisbane Airport	22,400	20,000
436 Elgar Rd, Box Hill	19,400	18,500
154 Varsity Parade, Varsity Lakes	12,900	12,000
572-576 Swan Street, Richmond	33,500	31,600
Total Investment Properties at independent valuation	153,100	140,650
Value accretive additions post independent valuation	427	-
Total Investment Properties	153,527	140,650

Capital Management

The total outstanding debt at 30 June 2016 was \$45.6 million, an increase of \$3.0 million on the prior year loan balance of \$42.6 million. The Fund had a further \$17.7 million of undrawn funds available under the senior debt facility. The drawdown of \$3.0 million, together with working capital, was used to fund an on-market buy-back of units in the Fund and the Fund's capital improvements program.

Capital Expenditure

During the 2016 financial year approximately \$2.7 million in capital expenditure was completed. The RE will continue its capital improvements program during 2017.

Legal proceedings

The responsible entity is continuing its claim against the valuer of a building in Canberra previously owned by the Fund. It relates to the difference between the historic acquisition and sale prices of a warehouse in Canberra. The valuer is defending the claim. The matter is on the court-managed list, and if not settled during a compulsory mediation process, anticipated to be held in the second half of 2016, the matter will then be listed for trial. A trial would likely not be held until early 2017 at the earliest. Any loss which arose on the disposal has been dealt with in prior financial years, and any successful outcome will be of positive benefit to the financial position of GDF.

The directors do not have a view on the quantum of any possible recovery, and consequently no provision has been made in the accounts.

DISTRIBUTIONS PAID OR RECOMMENDED

Distributions payable throughout the 2016 financial year totalled \$8.5 million (2015: \$0.5 million), representing a distribution of 9 cents per unit. This represents a distribution payout ratio of 93.6% of FFO, in line with the Fund's target payout ratio range. As at 30 June 2016, a distribution declared of \$2.1 million in relation to the June 2016 quarter remained payable, and is expected to be paid on 31 August 2016.

SIGNIFICANT CHANGES IN THE 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. The responsible entity had bought back (units subsequently cancelled) 3.397 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 on the initial \$42.6 million draw at an effective rate of 3.845% for a term of four years.

Following further debt drawdowns of \$2 million in December 2015 and \$1 million in April 2016, the responsible entity entered into a fixed rate agreement at an annualised rate of 3.78% and 3.6% respectively. The terms of the interest rate swap agreements have been aligned with the initial \$42.6 million draw to ensure all interest swap agreement expire on the same date.

AFTER BALANCE DATE EVENTS

On 26 August 2016, GARDA Diversified Property Fund settled the acquisition of a modern industrial distribution facility for \$29.5 million. The property, located in Mackay's primary industrial suburb of Paget, approximately 8km's from the Mackay CBD, is leased to Wesfarmers subsidiary Blackwoods until 2029, providing GDF with the benefit of a weighted average lease expiry (WALE) in excess of 12 years. The acquisition will be fully debt funded from senior debt facilities with St. George Bank. Following the acquisition, the Fund will have senior debt facilities totalling \$83.6 million which will be drawn to \$77.0 million. The Fund's property portfolio will total \$183.0 million and with a loan to value ratio (LVR) of 42%.

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 financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Fund's objective is to provide sustainable and growing distributable income derived from investments in commercial offices in city and suburban markets as well as industrial facilities along the eastern seaboard of Australia.

The RE intends to maintain a conservative capital structure and a long-term target gearing range of 30% to 35% although will operate up to 45% LVR from time to time to enable acquisitions. Likewise gearing may fall below this range in the event of capital management initiatives or asset divestments.

The Funds' key objectives for financial year 2017 (FY17) includes:

1. Mitigating lease expiry risks in the 2018 and 2019 financial years (FY17 lease expiries total only 2% of Fund income);
2. Reducing vacancy in the portfolio and associated lost income on vacant space;
3. Continued execution of the Fund's capital improvements program;
4. Possible capital management initiatives including asset divestments to reduce gearing to long term target range of 30% to 35%; and
5. Increased focus on asset acquisitions.

Vacancy and lost income is predominantly in Cairns with minor impact from both Varsity Lakes and the Murarrie office park assets. Cairns vacancy is expected to reduce with the increasing building "offer" as a result of the capital improvements program.

The capital improvements program will continue at a similar or greater rate to the 2016 financial year (\$2.7 million) with the major beneficiary being the Cairns asset. A full lift replacement is currently underway including destination lift controls, lift lobby and amenities upgrades, external building painting and plant and generator room upgrades.

As a result of the Blackwoods (Wesfarmers subsidiary) acquisition, the Fund's exposure to the industrial sector has increased 15% to now comprising 21% of the Fund's assets by value. It is currently the intention of the RE to continue to increase exposure to the industrial sector in the future.

The Blackwoods acquisition was fully debt funded resulting in gearing increasing to a modest level of 42% LVR (interest cover ratio: 4.5 times). Accordingly, the RE may consider various capital management initiatives including asset divestments during FY17 to reduce gearing.

As part of the RE's active management philosophy, the capital improvements program continued, with \$2.7 million spent on improvements across the portfolio. The reinvestment into the property assets will continue in order to improve building quality, tenant profile and valuation into the next period.

New leases and existing renewals were executed across 4,501m² representing approximately 10.5% of the portfolio net lettable area (NLA) of 45,088m². These leases achieved a weighted average lease term of 4.9 years and a weighted average rent review of 3.65%. Leasing risk in FY17 has largely been mitigated with only one material lease, 2,200m² of industrial space at 142-150 Benjamin Place due to expire. Notwithstanding, the RE has already begun negotiations with a number of key tenants that form part of the 12,000m² due to expire in the following financial year.

ENVIRONMENTAL ISSUES

The Fund's operations were not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the directors believe that the Fund has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Fund.

OPTIONS

No options over interests in the trust were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

FEES PAID TO AND INTERESTS HELD IN THE FUND BY THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the responsible entity and its associates or directors out of Fund property during the year are disclosed in note 15 of the financial statements.

The number of interests in the Fund held by the responsible entity or its associates as at the end of the financial year are disclosed in note 15 of the financial statements.

INTERESTS IN THE FUND

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) 3.398 million units in the Fund funded from working capital and debt.

At 30 June 2016, the resulting number of units on issue in the GARDA Diversified Property Fund was 93,804,456. The movement in units on issue in the Fund during the year is disclosed in note 12 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 of the financial statements.

ROUNDING

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Since commencement the Fund has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer of the responsible entity or an auditor of the Fund.

The responsible entity has paid insurance premiums in respect of their officers for liability and legal expenses for the year ended 30 June 2016. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been directors or executive officers of the responsible entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included, as such disclosure is prohibited under the terms of the contract.

The Fund has not indemnified its auditor.

PROCEEDINGS ON BEHALF OF THE FUND

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

NON-AUDIT SERVICES

The Fund may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (BDO Audit Pty Ltd) for non-audit services provided during the year are set out below.

The board of directors of GARDA Capital Limited as the responsible entity have considered the position and are satisfied that the provision of the non-audit services 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, as set out below, 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 board of GARDA Capital Limited to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the Fund, its related practices and non-related audit firms:

	2016 \$	2015 \$
Other assurance services		
Review and audit of compliance plan	11,900	11,500
Other services		
Tax services	6,000	7,000
Independent Assurance report in respect of financial information to be included in the PDS of GDF in regards to listing on ASX	-	64,548
Total remuneration for non-audit services	17,900	83,048

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 13.

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
29 August 2016



Mr Matthew Madsen
Managing Director
29 August 2016

02

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001



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 of GARDA Diversified Property Fund for the year ended 30 June 2016, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'P A Gallagher', is written over a light blue horizontal line.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 29 August 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 year ended 30 June 2016

	NOTE	2016 \$000'S	2015 \$000'S
Revenue	4	17,106	17,434
Property expenses	5	(4,823)	(5,131)
Trust level expenses	5	(1,558)	(1,796)
Finance costs	5	(1,745)	(12,450)
Net loss on financial liability held at fair value through profit and loss	5	(1,127)	(2,961)
Fair value movement in investment properties	7	10,093	(711)
Net loss on sale of investment properties		-	(686)
Impairment of receivables		(82)	(1)
Profit/(loss) for the year		17,864	(6,302)
Other comprehensive income	-	-	-
Total comprehensive income attributable to:			
Unitholders of GARDA Diversified Property Fund		17,864	(6,302)
Basic and diluted profit/(loss) per unit (cents per unit)	19	18.8	(21.7)

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

04

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	NOTE	2016 \$000'S	2015 \$000'S
ASSETS			
Current assets			
Cash and cash equivalents	18	2,526	3,233
Trade and other receivables	6	318	353
Total current assets		2,844	3,586
Non-current assets			
Investment properties	7	153,527	140,650
Total non-current assets		153,527	140,650
Total assets		156,371	144,236
LIABILITIES			
Current liabilities			
Trade and other payables	8	1,481	1,696
Distribution payable	11	2,121	-
Total current liabilities		3,602	1,696
Non-current liabilities			
Tenant security deposits		274	308
Borrowings	9	45,380	42,307
Derivative financial instrument	10	1,127	-
Total non-current liabilities		46,781	42,615
Total liabilities		50,383	44,311
Net assets		105,988	99,925
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Issued units	12	207,848	211,152
Retained losses		(101,860)	(111,227)
Total equity		105,988	99,925

The Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

05

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	ISSUED UNITS \$000'S	RETAINED LOSSES \$000'S	TOTAL \$000'S
Balance at 1 July 2014	138,764	(104,388)	34,376
Comprehensive income			
Loss for the year	-	(6,302)	(6,302)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(6,302)	(6,302)
Transactions with owners			
Distributions paid or provided for	-	(537)	(537)
Distributions reinvested	39	-	39
Unit issue	5,600	-	5,600
Capital raising	70,000	-	70,000
Capital raising costs	(3,251)	-	(3,251)
Balance at 30 June 2015	211,152	(111,227)	99,925
Balance at 1 July 2015	211,152	(111,227)	99,925
Comprehensive income			
Profit for the year	-	17,864	17,864
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	17,864	17,864
Transactions with owners			
Distributions paid or provided for	-	(8,497)	(8,497)
Unit buy-back	(3,304)	-	(3,304)
Balance at 30 June 2016	207,848	(101,860)	105,988

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

06

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	NOTE	2016 \$000'S	2015 \$000'S
Cash flows from operating activities			
Rent and outgoings received		18,897	18,241
Cash payments in the course of operations		(7,495)	(8,268)
Interest received		24	26
Finance costs		(1,695)	(11,751)
GST paid		(842)	(707)
Net cash provided by/(used in) operating activities	18	8,889	(2,459)
Cash flows from investing activities			
Payments for investment property improvements		(2,637)	(1,668)
Payments for leasing fees		(269)	(493)
Payments for costs associated with sale of investment properties		-	(385)
Proceeds from the sale of investment properties		-	14,350
Net cash provided (used in)/by investing activities		(2,906)	11,804
Cash flows from financing activities			
Proceeds of borrowings		3,000	43,291
Repayment of borrowings		-	(118,357)
Distributions		(6,386)	(546)
Units bought back including brokerage costs		(3,304)	-
Payments for borrowing and establishment costs		-	(311)
Capital raised		-	70,000
Capital raising costs		-	(3,215)
Net cash used in financing activities		(6,690)	(9,138)
Net increase/(decrease) in cash held		(707)	207
Cash at the beginning of the financial year		3,233	3,026
Cash at the end of the financial year	18	2,526	3,233

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

NOTES TO THE FINANCIAL STATEMENT

NOTE 1: GENERAL INFORMATION

Introduction

GARDA Diversified Property Fund for the year ended 30 June 2016 is a listed property trust settled and domiciled in Australia. The Fund is a for-profit entity for the purpose of preparation of these financial statements. GARDA Diversified Property Fund was admitted to the official list of ASX Limited on 30 June 2015 and commenced trading on the ASX on 2 July 2015.

Operations and principal activities

The Fund invests in commercial and industrial properties and other associated assets in accordance with the provisions of the Fund's constitution.

Currency

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

Registered office

The registered office of GARDA Diversified Property Fund is situated at Level 21, 12 Creek Street, Brisbane Qld 4000.

Authorisation of financial report

The financial report was authorised for issue on 29 August 2016 by the directors.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative instruments) and investment properties.

Key judgement – Going Concern

The Fund was in a net current asset deficiency position as at 30 June 2016 of \$0.8 million largely attributable to working capital having been applied to partially fund (in combination with borrowings) both the Fund's on-market buy-back of GDF units and the Fund's capital improvements program. This net current asset deficiency has been eliminated by cash flow from operations (at the date of this report).

The directors of GARDA Capital Limited, the responsible entity of GARDA Diversified Property Fund, are of the reasonable opinion that the Fund will be able to meet its liabilities as and when they fall due.

Accounting policies**a. Income Tax**

Under current income tax legislation, the Fund is not liable to taxation provided the taxable income is distributed in full to unitholders.

b. Revenue & Other Income

Revenue is measured at the fair value of the consideration received or receivable.

Lease income from operating leases is recognised in income on a straight line basis over the lease term. Rental revenue not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance (unearned income). Lease incentives granted are considered an integral part of the total revenue and are recognised as a reduction in rental income over the term of the lease, on a straight line basis. 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.

Outgoings recovered are recognised on an accrual basis and represent the portion of property expenses that are recoverable from the tenants.

Interest revenue is recognised using the effective interest rate method which, for floating rate financial assets, is the rate inherent in the instrument.

c. ExpensesProperty expenses

Property expenses consist of rates, taxes and other property outgoings in relation to the investment properties.

Responsible entity's remuneration

Refer to note 15 for details of the responsible entity's remuneration.

Custodian's remuneration

The Custodian received remuneration of \$70,815 (2015: \$70,321) for its services during the year.

d. Investment Properties

Investment properties held for rental are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which is measured using a capitalisation approach and the discounted cash approach as the primary valuation methods. Gains and losses arising from changes in fair values of investment properties are included in profit or loss as part of other income in the year in which they arise.

e. Financial InstrumentsInitial Recognition & Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Fund commits itself to either the purchase or the sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

Classification & Subsequent Measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'

principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Loans & Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Trade receivables are recognised at original invoice amounts less any provision for impairment and are generally due for settlement within 30 days. Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the receivable may be impaired.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative Financial instruments

The Fund used a derivative financial instrument (interest rate swap) during the 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 of a derivative contract is entered into and are subsequently measured at fair value at each reporting date. The net fair value of derivative financial instruments outstanding at the balance date is 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.

f. 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 to sell 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 Fund.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act 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 Fund 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, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

g. Impairment of Non-Financial Assets

At each reporting date, the Fund reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and 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 the statement of comprehensive income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

h. Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

i. Finance costs

Finance costs include interest, amortisation of discounts, or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangements of borrowings.

Interest payments in respect of financial instruments classified as liabilities are included in finance costs.

Loan establishment costs are offset against financial liabilities under the effective interest method and amortised over the term of the facility to which they relate.

j. Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

k. Lease Incentives

Lease incentives are capitalised and are recognised as a reduction of rental income on a straight-line basis over the lease term. Rent abatements are recognised over the life of the rent abatement period.

Initial direct leasing costs incurred in negotiating and arranging operating leases are recognised as an asset in the statement of financial position and are amortised as an expense on a straight line basis over the lease term.

I. Comparative Figures

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

m. Leases

The Fund leases its investment properties under agreements where the trust retains substantially all the risks and benefits associated with the investment properties. Accordingly, such arrangements are classified as operating leases and amounts received under such agreements are accounted for in accordance with the trust's accounting policy for revenue.

n. Distributions to Unitholders

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

o. Unitholders Funds

Ordinary units are classified as unitholders funds. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction from the proceeds received.

p. Earnings per Unit ("EPU")

Basic earnings per unit is calculated by dividing:

- the profit attributable to owners of the fund, excluding any costs of servicing equity other than ordinary units
- by the weighted average number of ordinary units outstanding during the financial year, adjusted for bonus elements in ordinary units issued during the year.

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary units, and
- the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units.

q. Rounding of amounts

The Fund has applied the relief available to it under ASIC Corporations (Founding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements have been rounded off to the nearest \$1,000, or in certain cases, the nearest dollar.

r. Non-Current Assets Classified as Held for Sale

Non-current assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

s. Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is 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 if it is probable that some or all of the facility will be drawn down, and deferred until the draw down occurs. If it is not probable that the facility will be drawn down, fees are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract has been discharged, cancelled or expires. The difference between the carrying amount of the borrowing derecognised and the consideration paid is recognised in profit or loss as other income or finance costs.

Where the terms of a borrowing are renegotiated and the group issues equity instruments to a creditor to extinguish all or part of a borrowing, the equity instruments issued as part of the debt for equity swap are measured at the fair value of the equity instruments issued, unless the fair value cannot be measured reliably, in which case, they are measured at the fair value of the debt extinguished. The difference between the carrying amount of the debt extinguished and the fair value of the equity instruments issued is recognised as a gain or loss in profit or loss.

t. Financial liabilities designated at fair value through profit or loss**Recognition/derecognition**

The Fund recognises financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial liabilities from this date. Financial liabilities are derecognised when the Fund has transferred substantially all of the risks and rewards of ownership.

Measurement

At initial recognition, the Fund measures a financial liability at its fair value. Transaction costs of financial liability carried at fair value through profit or loss are expensed in the profit or loss. Subsequent to initial recognition, all financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial liabilities at fair value through profit or loss' category are presented in profit or loss within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

The best evidence of the fair value of the financial liability at fair value through profit or loss at initial recognitions is the transaction price, i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of the fair value of the financial liability at fair value through profit or loss on initial recognition may be different from its transaction. If the estimated fair value is evidenced by comparison with other observable current markets transactions in the same financial instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. Gains and losses arising from changes in the fair value of the financial liabilities at fair value through profit or loss' category are presented in profit or loss within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

u. Significant Accounting Estimates, Judgements and Assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

The directors of the responsible entity evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Fund. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'

There were no key assumptions during the year which required estimates and/or judgements with the exception of the following:

Key assumptions – investment property valuation

The Fund makes key assumptions in determining the fair value of its investment property portfolio as at balance date. The assumptions thought to bear the most significant impact on the adopted fair value of each of the fund's investment properties are disclosed in note 7, together with the carrying amount of each investment property asset measured at fair value.

v. Adoption of New and Revised Accounting Standards and Interpretations

The Fund applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2015. The nature and the impact of each new standard and/or amendment are not expected to be significant.

w. New and Amended Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Fund. The Fund's assessment of the impact of these new standards and interpretations is set out below.

NEW/REVISED PRONOUNCEMENTS	NATURE OF CHANGE	APPLICATION DATE TO THE FUND	IMPACT TO THE FUND
AASB 9 Financial Instruments (December 2014)	The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. This supersedes AASB 9 (issued in December 2009-as amended) and AASB 9 (issued in December 2010).	30 June 2019	The Fund does not foresee any significant impact to the net profit and net assets as a result of applying this new accounting standard.
AASB 15 Revenue from Contracts with Customers	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.	30 June 2018	The Fund does not foresee any significant impact to the net profit and net assets as a result of applying this new accounting standard.
AASB 16 (issued February 2016)	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	30 June 2020	The Fund is yet to fully assess the impact of the new accounting standard.

NOTE 3: DISTRIBUTIONS

	2016 \$000'S	2015 \$000'S
Distributions paid or provided for by the Fund from unit capital		
Half year ended 31 December 2016, 4.5 cents per unit (2015: 1.5 cents)	(4,276)	(325)
Year ended 30 June 2016, 4.5 cents per unit (2015: 1.0 cents)	(4,221)	(212)
	(8,497)	(537)

Distributions declared for the quarter ended 30 June 2016 of \$2.111 million but not paid until after year end has been provided for. Total distributions not paid as at 30 June 2016 was \$2.121 million including withholding tax of \$0.01 million.

NOTE 4: REVENUE

	2016 \$000'S	2015 \$000'S
Rental income and outgoings recovered	18,604	18,655
Interest revenue	24	27
Leasing fees amortised	(304)	(311)
Leasing incentives amortised	(1,218)	(937)
	17,106	17,434

NOTE 5: EXPENSES

	2016 \$000'S	2015 \$000'S
Property expenses		
Recoverable expenses	4,026	4,182
Direct expenses	684	804
Non-recoverable expenses	113	145
	4,823	5,131
Trust level expenses		
Responsible entity management fee	921	816
Trust administration expenses	637	980
	1,558	1,796
Finance costs		
Interest expense	1,669	8,272
Borrowing costs	73	1,662
Other finance fees and expenses	3	25
Early loan repayment fees	-	2,491
	1,745	12,450
Net loss on financial liability held at fair value through profit and loss		
<i>Derivative financial instrument</i>		
Mark-to-market of interest rate swap	1,127	-
<i>Non-derivative financial instrument</i>		
Debt with non-cash settlement options	-	2,961
	1,127	2,961

NOTE 6: TRADE AND OTHER RECEIVABLES

	2016 \$000'S	2015 \$000'S
Current		
Rent and outgoings receivable	482	512
Prepayments	218	115
Sundry receivables	-	70
Provision for impairment	(382)	(344)
	318	353
Analysis of provision for impairment		
Opening balance	344	344
Provisions for doubtful receivables	38	1
Receivables written off during the year	-	(1)
	382	344

NOTE 7: INVESTMENT PROPERTIES

	2016 \$000'S	2015 \$000'S
Investment properties at independent valuation	153,100	140,650
Investment properties at directors valuation ¹	427	-
	153,527	140,650
Movements during the year		
Balance at beginning of year	140,650	138,550
Movements in fair value	10,093	(711)
Capital additions	2,693	1,651
Straight-lining of rental income	160	(325)
Net movement in leasing fees and incentives	(69)	1,485
Balance at end of year	153,527	140,650

¹ Relates to value accretive additions post independent valuation as at 1 June 2016.

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 2016 valuations were based on independent assessments made by qualified and suitably experienced certified practicing external valuers as set out above in accordance with the methodology as set out in note 2(d), 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 on 1 June 2016. The specific key assumptions and variables adopted in the valuations are set out on page 27.

Investment property valuations details**30 June 2016**

PROPERTIES	VALUATION BASIS	CAPITALISATION RATE	NET MARKET INCOME \$000'S	ADJUSTMENTS \$000'S	VALUATION \$000'S
B2, 747 Lytton Road, Murarrie	Independent	8.39%	1,275	(1,180)	14,100
Land at 26-30 Grafton Street, Cairns	Independent	n/a	n/a	n/a	1,200
7-19 Lake Street, Cairns	Independent	8.50%	4,245	(9,545)	41,000
142-150 Benjamin Place, Lytton	Independent	8.25%	726	(192)	8,600
12-14 The Circuit, Brisbane Airport	Independent	8.60%	1,890	671	22,400
436 Elgar Rd, Box Hill	Independent	8.50%	1,761	(1,251)	19,400
154 Varsity Parade, Varsity Lakes	Independent	8.50%	1,221	(1,336)	12,900
572-576 Swan Street, Richmond	Independent	7.50%	2,707	(2,213)	33,500
					153,100

30 June 2015

PROPERTIES	VALUATION BASIS	CAPITALISATION 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

Contractual Obligations

We currently have no contractual obligations to purchase, construct or develop investment property for repairs, maintenance or enhancements.

Leasing arrangements

Investment properties listed above (excluding Land at 26-30 Grafton Street, Cairns) are 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 17.

Amounts recognised in profit and loss for investment properties

Revenue and direct expenses relating to investment property are disclosed in note 4 and 5.

NOTE 8: TRADE AND OTHER RECEIVABLES

	2016 \$000'S	2015 \$000'S
Current		
Trade and other payables	705	944
Revenue in advance	776	752
	1,481	1,696

NOTE 9: BORROWINGS

	2016 \$000'S	2015 \$000'S
Non-Current		
Bank loans (secured)	45,380	42,307
	45,380	42,307

MOVEMENTS IN BORROWINGS

2016	TOTAL \$000'S
Balance at beginning of year	42,307
Proceeds from borrowings	3,000
Amortisation of borrowing costs	73
Balance at the end of the year	45,380

2015	BANK LOANS \$000'S	OPUS MAGNUM FUND \$000'S	TOTAL \$000'S
Balance at beginning of year	114,998	1,989	116,987
Interest payable	7,429	270	7,699
Interest paid	(8,134)	-	(8,134)
Borrowing costs payable	57	-	57
Repayment	(116,098)	(2,259)	(118,357)
Proceeds from borrowings	43,291	-	43,291
Capitalisation of borrowing costs	(344)	-	(344)
Amortisation of borrowing costs	1,108	-	1,108
Balance at the end of the year	42,307	-	42,307

NOTE 9: BORROWINGS CONT'

Bank Loan

As part of the recapitalisation and IPO of the Fund that occurred in June 2015, the bank loan with GE Capital was refinanced with a new facility agreement entered into with St. George Bank.

The St. George Bank loan is secured by: (a) a first registered mortgage over the applicable property and the lease by the Guarantor over the Brisbane Airport Property; (b) a first registered fixed and floating charge over the assets of the Fund in favour of the bank; and (c) guarantee and indemnity provided by the responsible entity GARDA Capital Limited, limited to the value of the security properties.

Under the facility agreement with St. George Bank that was operable at 30 June 2016, the following covenants exist:

- a. Interest cover ratio is to remain above 2.50 times; and
- b. Loan to value ratio has to remain under 45%.

The St. George Bank loan has a facility limit of \$63.3 million (2015: \$63.3 million). Following the purchase of the Mackay property in August 2016, conditions precedent were satisfied for an increase in limit to \$83.6 million.

At 30 June 2016 the debt was drawn to \$45.6 million (2015: \$42.6 million) which is within the facility limit. The Fund has fixed interest rate swap agreements over the total loan facility of \$45.6 million which expire on 23 June 2019. The expiry date of the St. George facility is 23 June 2018.

The carrying amount of the bank loans approximates their net fair value.

NOTE 10: DERIVATIVE FINANCIAL INSTRUMENTS

	2016 \$000'S	2015 \$000'S
Non-Current		
Interest rate swap contracts	1,127	-

The Fund has entered into interest rate swap contracts totalling \$45.6 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 2, 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 year ended 30 June 2016, a net loss on fair value of interest rate swap for \$1.127 million has been recognised in the statement of profit and loss.

NOTE 11: DISTRIBUTIONS PAYABLE

	2016 \$000'S	2015 \$000'S
Provision for distribution	2,121	-
Movements in provisions		
Opening balance at beginning of year	-	48
Distributions provided for	8,507	537
Distributions paid	(6,386)	(585)
Balance at end of year	2,121	-

NOTE 12: ISSUED UNITS

	2016 \$000'S	2015 \$000'S
93,804,456 units (2015: 97,202,170)	207,848	211,152

	2016 NUMBER	2015 NUMBER	2016 \$000'S	2015 \$000'S
Movements during the year				
Balance at beginning of year	97,202,170	214,703,053	211,152	138,764
Units bought back	(3,397,714)	-	(3,304)	-
Distributions reinvested	-	238,539	-	39
Consolidation 9.95:1	-	(193,339,422)	-	-
Equity issue	-	5,600,000	-	5,600
Capital raising	-	70,000,000	-	70,000
Issue costs	-	-	-	(3,251)
Balance at end of year	93,804,456	97,202,170	207,848	211,152

Units

Each unitholder has one vote for each unit that they have in the Fund. Unitholders have the right to receive distributions as declared and in the event of the Fund winding up to participate in the net proceeds from the sale of the assets in proportion to the number of units held.

Capital Risk Management

The Fund's objective when managing capital (taken to be unitholders' funds and retained earnings) is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units or sell assets to reduce debt. Consistent with others in the industry, the Fund monitors capital on the basis of a loan to valuation ratio (LVR). LVR is calculated as net debt divided by gross property values.

The LVR at 30 June 2016 and 30 June 2015 was as follows:

	2016 \$000'S	2015 \$000'S
Financial liabilities	45,380	42,307
Less:		
Cash and cash equivalents	(2,526)	(3,233)
Net debt	42,854	39,074
Gross value of investment properties	153,527	140,650
Gearing Ratio ¹	28%	28%

¹ Differs from bank LVR due to the inclusion of cash and cash equivalents.

NOTE 13: FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund'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 Fund. The Fund uses different methods to measure 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 directors of the responsible entity have overall responsibility for the determination of the Fund's risk management objectives and policies. The overall objective of the directors of the responsible entity is to set policies that seek to reduce risk as far as possible without unduly affecting the Fund's competitiveness and flexibility. Further details regarding these policies are set out below:

a. Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Fund incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Fund. Credit risk from receivables is measured using days and ageing. The objective of managing credit risk is to limit the exposure of the Fund to such risk.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Fund also holds security deposits of \$274,000 recognised as a liability in the statement of financial position, and also has bank guarantees in the Fund's favour of \$3.4 million not recorded in the statement of financial position, which may be drawn upon in the event of default. A portion of these amounts are pledged as security for recognised trade and other receivables.

Credit risk is reviewed regularly by the directors of the responsible entity.

	2016 \$000'S	2015 \$000'S
Cash and cash equivalents	2,526	3,233
Trade and other receivables (net of impairment)	100	238
Prepayments	218	115
	2,844	3,586

Ageing of receivables

Not past due	100	238
Past due 0-60 days	-	-
Past due >90 days	382	344
Impaired	(382)	(344)
	100	238

b. Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulties raising funds to meet financial obligations as they fall due. Liquidity risk is reviewed regularly by the directors of the responsible entity. The objective of the responsible entity in managing liquidity risk is to ensure the Fund will be able to meet its commitments as and when they fall due.

The Fund manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained.

NOTE 13: FINANCIAL RISK MANAGEMENT CONT'

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 2016. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2016 \$000'S	2015 \$000'S
Less than one year		
Trade and other payables	1,481	1,696
Distribution payable	2,121	-
Interest on bank loans	1,745	1,626
	5,347	3,322
Between one and five years		
Bank loans	45,380	42,307
Interest on bank loans	1,710	3,252
	47,090	45,559
Over five years		
Bank loans	-	-
Interest on bank loans	-	-
	-	-

c. Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk), or other market factors (other price risk).

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. Exposure to interest rate risk is measured via sensitivity analysis. The Fund's objective in managing interest rate risk is to mitigate the impact of significant fluctuations in variable interest charges on the Fund's balance sheet and cash flows.

During the year, the Fund has entered into interest rate swap contracts totalling \$45.6 million under which it is obliged to receive interest at variable rates and to pay interest at fixed rates thereby eliminating any sensitivity to its results by the changing interest rates.

NOTE 14: FAIR VALUE MEASUREMENT

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

- Derivative financial instruments; and
- 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.

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

NOTE	LEVEL 1 \$000'S	LEVEL 2 \$000'S	LEVEL 3 \$000'S	TOTAL
30 JUNE 2016				
Assets				
Investment properties	-	-	153,527	153,527
	-	-	153,527	153,527
Liabilities				
Derivative financial instruments	-	1,127	-	1,127
	-	1,127	-	1,127
30 JUNE 2015				
Assets				
Investment properties	-	-	140,650	140,650
	-	-	140,650	140,650
Liabilities				
Derivative financial instruments	-	-	-	-
	-	-	-	-

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

Disclosed fair values

The carrying amounts of financial assets and liabilities approximates their net fair value unless otherwise stated. The carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and in the notes to the financial statements

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

DESCRIPTION	VALUATION APPROACH	UNOBSERVABLE INPUTS	RANGE OF INPUTS	RELATIONSHIP BETWEEN UNOBSERVABLE INPUTS AND FAIR VALUE
Investment properties	Income approach based on estimated rental value of the property. Discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an external valuer or management based on comparable transactions and industry data.	Discount rate	8.00% to 10.00%	The higher the discount rate, terminal yield and expected vacancy rate, the lower the fair value.
		Terminal yield	7.75% to 9.10%	
		Expected vacancy rate	(weighted average 0%)	The higher the rental growth, the higher the fair value. Based on Gross Face Rental growth 10 year CAGR.
		Rental growth rate	2.89% to 3.31%	

The Fund engages external, independent and qualified valuers to determine the fair value of the fund's investment property at least once every financial year.

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 Level 2 instruments.

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Reconciliation of Level 3 fair value movements

Refer to note 7 for the reconciliation of movements in investment properties. There have been no transfers to or from Levels 1 or 2. There were no unrecognised gains/(losses) recognised in profit or loss for investment properties held at the end of the reporting period.

NOTE 15: RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

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.

Key management personnel

The directors and key management personnel of GARDA Capital Limited at any time during or since the end of the financial year are:

Directors

Mr David Usasz	Independent Chairman	Appointed 21 May 2015
Mr Matthew Madsen	Managing Director	Appointed 22 September 2011
Mr Mark Hallett	Non-Executive Director	Appointed 31 January 2011
Mr Philip Lee	Non-Executive Director	Appointed 21 May 2015
Mr Leylan Neep	Executive Director	Appointed 31 July 2014
	Company Secretary	Appointed 30 July 2012, Resigned 28 July 2016

Senior Executive

Lachlan Davidson	General Counsel	Appointed 13 January 2014
	Company Secretary	Appointed 28 July 2016

Key management personnel compensation

No compensation is paid directly by the Fund to directors or any employees of the responsible entity.

Unitholdings (number of units)

2016	OPENING BALANCE	CONSOLIDATION 9.95:1	ADDITIONS / (DISPOSALS)	CLOSING BALANCE
Directors of GARDA Capital Limited				
Mr David Usasz	100,000	-	105,000	205,000
Mr Matthew Madsen	-	-	97,893	97,893
Mr Mark Hallett	6	-	(6)	-
Mr Philip Lee	50,000	-	-	50,000
Mr Leylan Neep	-	-	-	-
Senior Executive of GARDA Capital Limited				
Lachlan Davidson	-	-	-	-
Responsible entity				
GARDA Capital Limited	4,704	-	(4,704)	-
Other related entities				
GARDA REIT Holdings UT	10,000,000	-	4,710	10,004,710

NOTE 15: RELATED PARTIES AND KEY MANAGEMENT PERSONNEL CONT'

2015	OPENING BALANCE	CONSOLIDATION 9.95:1	ADDITIONS / (DISPOSALS)	CLOSING BALANCE
Directors of GARDA Capital Limited				
Mr David Usasz	-	-	100,000	100,000
Mr Matthew Madsen	-	-	-	-
Mr Mark Hallett	50	(44)	-	6
Mr Philip Lee	-	-	50,000	50,000
Mr Leylan Neep	-	-	-	-
Senior Executive of GARDA Capital Limited				
Lachlan Davidson	-	-	-	-
Responsible entity				
GARDA Capital Limited	48,800	(44,096)	-	4,704
Other related entities				
GARDA REIT Holdings UT	-	-	10,000,000	10,000,000

Transactions with Related Parties**a. Responsible entity's fees and other transactions**

Under the Fund's 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 GAV); and
- Capital works fee amounting to 5% of the total capital costs incurred in relation to the investment properties.

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

	2016 \$	2015 \$
Responsible entity's fees		
Management fee	920,805	815,736
Capital works fees	122,797	82,743
	1,043,602	898,479
Other transactions with the responsible entity		
Recovery of accounting and funds administration expenses	76,745	152,750
Registry costs	-	54,000
Distributions paid on units held in the Fund by a subsidiary of the responsible entity	900,424	117
Administration costs reimbursed in accordance with the Fund's Constitution	9,008	8,524
	986,177	215,391

NOTE 15: RELATED PARTIES AND KEY MANAGEMENT PERSONNEL CONT'

b. Transactions with related parties

During the year, 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. Prior year fees to GARDA Finance were in relation to financial intermediary services provided to 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 year were as follows:

	2016 \$	2015 \$
GARDA Real Estate Services Pty Ltd	854,922	1,242,688
GARDA Facilities Management Pty Ltd	148,434	155,669
GARDA Services Pty Ltd	77,307	124,780
GARDA Finance Pty Ltd	-	493,323
	1,080,663	2,016,460

During the year ended 30 June 2016, the Fund paid a total of \$126,999 (2015: \$86,270) 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 \$19,863 (2015: \$15,393) was outstanding at year end. These expenses were incurred on normal commercial terms.

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:

	2016 \$	2015 \$
Current payables		
GARDA Capital Limited	121,645	69,969
GARDA Real Estate Services Pty Ltd	18,982	87,849
GARDA Services Pty Ltd	4,302	8,854
	144,929	166,672

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

NOTE 16: AUDITORS' REMUNERATION

	2016 \$	2015 \$
Remuneration of the auditor for:		
Audit and review of the financial report	48,500	30,405
	48,500	30,405

NOTES TO THE FINANCIAL STATEMENT CONT'

NOTE 16: AUDITORS' REMUNERATION CONT'

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2016 \$	2015 \$
Review and audit of compliance plan	11,900	11,500
Tax services	6,000	7,000
Investigating accountant in respect of financial information to be included in the PDS and GDF in regards to listing on ASX	-	64,548
Total remuneration for non-audit services	17,900	83,048

NOTE 17: COMMITMENTS

	2016 \$000'S	2015 \$000'S
Future minimum lease payments receivable:		
Within one year	13,619	13,556
One year to five years	24,113	32,924
Later than five years	2,756	2,773
	40,488	49,253

Lease receivables have not been included in the statement of financial position as under AASB 117 'Leases', lease income from operating leases is only recognised on a straight-line basis over the lease term. The lease receivables above include only currently signed leases and do not include options which exist over current leases as these may not be exercised.

	2016 \$000'S	2015 \$000'S
Future minimum lease payments payable:		
Within one year	181	174
One year to five years	790	763
Later than five years	8,839	9,046
	9,810	9,983

NOTE 18: CASH FLOW INFORMATION

	2016 \$000'S	2015 \$000'S
Profit/(loss)	17,864	(6,302)
Adjustments for items in profit or loss		
Change in fair value of investment properties	(10,093)	711
Change in fair value of derivative	1,127	-
Net loss on financial liabilities held at fair value through profit and loss	-	2,961
Amortisation of borrowing costs	73	1,111
Capitalised interest	-	(412)
Loss on sale of investment properties	-	686
Impairment of receivables	82	-
Movements in assets and liabilities		
Trade and other receivables	(84)	(66)
Revenue in advance	25	(161)
Trade and other payables	(255)	(236)
Lease incentives	150	(711)
Investment properties	-	(40)
Cash flow from operations	8,889	(2,459)
Reconciliation to cash at the end of the year		
Cash at bank ¹	2,526	3,233
¹ Cash at bank includes \$277,673 provided as security for a bank guarantee (2015: \$308,136).		
Non-cash investing and financing activities		
Unit issue	-	(5,600)

NOTE 19: EARNINGS PER UNIT

	2016 \$000'S	2015 \$000'S
Profit/(loss) attributable to the unitholders of GARDA Diversified Property Fund:		
Profit/(loss) from continuing operations	17,864	(6,302)
Basic and diluted profit/(loss) per unit (cents per unit) for continuing operations	18.8	(27.1)
Weighted average number of ordinary shares used in the calculation of basic and diluted profit/(loss) per unit	95,142,799	23,259,156

NOTE 20: EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

On 26 August 2016, GARDA Diversified Property Fund settled the acquisition of a modern industrial distribution facility for \$29.5 million. The property, located in Mackay's primary industrial suburb of Paget, approximately 8km's from the Mackay CBD, is leased to Wesfarmers subsidiary Blackwoods until 2029, providing GDF with the benefit of a weighted average lease expiry (WALE) in excess of 12 years.

The acquisition will be fully debt funded from senior debt facilities with St. George Bank. Following the acquisition, the Fund will have senior debt facilities totalling \$83.6 million which will be drawn to \$77 million. The Fund's property portfolio will total \$183 million and gearing will be 42% loan to value ratio (LVR).

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 financial years.

There have been no other events since 30 June 2016 that impact upon the financial report as at 30 June 2016.

NOTE 21: CONTINGENT ASSETS/LIABILITIES

a. Contingent asset

The responsible entity is continuing claims against two former tenants for arrears of rent.

The responsible entity is continuing its claim against the valuer of a building in Canberra. It relates to the difference between the historic acquisition and sale prices of a warehouse in Canberra. As at 30 June 2016, it is not practicable to estimate the financial effect of the matter therefore no amount has been disclosed.

b. Contingent liabilities

GARDA Capital Limited as responsible entity has initiated claims under warranties and indemnities given by various parties involved in the construction of the building Botanicca 7, at 572-576 Swan St, Richmond with respect to defects in the building. Notification has been given, and the responsible entity is undertaking further investigation to quantify the claim and steps towards recovery.

As at 30 June 2016, it is not practicable to estimate the cost of rectification or amounts that would be covered by warranty therefore no amounts have been disclosed.

NOTE 22: SEGMENT INFORMATION

The Fund operates in one segment, being investment in Australian commercial properties. 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.

The financial results from the segment are equivalent to the financial statements of the Fund as a whole.

08

CORPORATE GOVERNANCE STATEMENT

YEAR ENDED 30 JUNE 2016

The Board and Management of the GARDA Capital Group considers that it is crucial to the Fund's long term performance and sustainability and to protect and enhance the interests of the Fund's unitholders and other stakeholders, that it adopts an appropriate corporate governance framework pursuant to which the Fund will conduct its operations in Australia with integrity, accountability and in a transparent and open manner.

The Fund regularly reviews its governance arrangements as well as developments in market practice, expectations and regulation. The governance arrangements were reviewed and updated in June 2016.

The Fund's Corporate Governance Statement has been approved by the Board of GARDA Capital Limited and explains how the Fund addresses the requirements of the Corporations Act 2001, the ASX Listing Rules and the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations - 3rd Edition' (the 'ASX Principles and Recommendations') and is current as at 30 June 2016.

The Fund's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in this statement, the Fund's 2016 Annual Report and other relevance governance documents and materials on the Company's website (together the 'ASX Appendix 4G'), is provided in the corporate governance section of the Company's website at <http://investors.gardacapital.com.au/Home/?page=Corporate-Governance>

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

The Board of the Responsible Entity of the Fund strives to meet the highest standards of Corporate Governance, but recognises that it is also crucial that the Fund's governance framework reflects the current size, operations and industry in which the Responsible Entity operates.

The Fund has complied with the majority of recommendations of the ASX Principles and Recommendations with the exception of a few. The Board believes the areas of non-conformance, which are explained in the Corporate Governance Statement and the ASX Appendix 4G do not materially impact on the Fund's ability to achieve the highest standards of Corporate Governance, whilst at the same time ensuring the Fund is able to achieve the expectations of its unitholders and other stakeholders.

09

ADDITIONAL ASX INFORMATION

UNITHOLDER INFORMATION

The shareholder information set out below was applicable as at 23 August 2016.

a. Distribution of Equity Securities

Analysis of number of equity security holders by size of holding:

	UNITS	NO. OF HOLDERS	% TOTAL UNITS
1 – 1,000	114,039	179	45.52%
1,001 – 5,000	4,144,133	1,419	43.68%
5,001 – 10,000	5,874,212	778	6.26%
10,001 – 100,000	40,972,072	1,249	4.42%
100,001 – and over	42,700,000	86	0.12%
	93,804,456	3,711	100%

The number of unit holdings held in less than marketable parcels of 500 shares is 62.

b. Equity Security Holders

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

NAME	NUMBER HELD	PERCENTAGE OF ISSUED (%) SHARES
THE TRUST COMPANY (AUSTRALIA) LIMITED	10,004,710	10.67
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,347,382	5.70
LONGHURST MANAGEMENT SERVICES PTY LTD	2,000,000	2.13
ASIA UNION INVESTMENTS PTY LTD	1,800,000	1.92
BOND STREET CUSTODIANS LTD	1,370,789	1.46
NATIONAL NOMINEES LIMITED	1,306,590	1.39
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,268,583	1.35
MR FRANKY HUNG	1,080,000	1.15
CITICORP NOMINEES PTY LIMITED	1,046,523	1.12
CITICORP NOMINEES PTY LIMITED	1,017,753	1.08
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	945,987	1.01
J B HOLDINGS (VICTORIA) PTY LTD	680,000	0.72
HGT INVESTMENTS PTY LTD	600,000	0.64
BNP PARIBAS NOMS PTY LTD	527,396	0.56
MR ARTHUR ROSS PERRINS	500,000	0.53
QUINCETREE PTY LTD	473,000	0.50
GLENELG-PARK NOMINEES PTY LTD	400,000	0.43
THEME (NO 3) PTY LTD	400,000	0.43
MR KEVIN HENRY BROADBENT & MRS PAMELA JILL BROADBENT	330,000	0.35
ACCURATE PROFILE ROLL FORMING PTY LTD	310,000	0.33
MR OLIVIER DONALD COULON & MRS SARAH COULON	309,139	0.33
	31,717,852	33.81

c. Substantial Holders

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

ESTIMATED BENEFICIAL HOLDINGS AS AT 23 AUGUST 2016	NUMBER HELD	PERCENTAGE %
THE TRUST COMPANY (AUSTRALIA) LIMITED	10,004,710	10.67%
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,347,382	5.70%
	15,352,092	16.37%

d. Voting Rights

Refer to note 12 for voting rights attached to ordinary shares.

10

CORPORATE DIRECTORY

DIRECTORS

David Usasz

Independent Chairman

Matthew Madsen

Managing Director

Mark Hallett

Non-executive Director

Philip Lee

Non-executive Director

Leylan Neep

Executive Director

COMPANY SECRETARY

Lachlan Davidson

General Counsel and
Company Secretary

REGISTERED OFFICE

Level 21, 12 Creek Street

Brisbane QLD 4000

Ph: +61 7 3002 5300

Fax: +61 7 3002 5311

www.gardacapital.com.au

AUDITORS

BDO Audit Pty Ltd

Level 10, 12 Creek St

Brisbane QLD 4000

SHARE REGISTRY

Link Market Services

Level 12, 680 George Street

Sydney NSW 2000

STOCK EXCHANGE LISTING

The Fund is listed on the

Australian Securities

Exchange Limited (ASX: GDF)

ARSN 104 391 273

11

DIRECTORS' DECLARATION

1. In the opinion of the directors of GARDA Capital Limited, the responsible entity of GARDA Diversified Property Fund:
 - a. the attached financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes, are in accordance with the Corporations Act 2001, and:
 - i. comply with Accounting Standards and the Corporations Regulations 2001; and
 - ii. give a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the financial year ended on that date.
 - b. are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the year ended 30 June 2016.
3. Directors draw attention to note 2 to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors of GARDA Capital Limited, the responsible entity of GARDA Diversified Property Fund made pursuant to section 295(5) of the Corporations Act 2001.



Mr David Usasz

Chairman

29 August 2016



Mr Matthew Madsen

Managing Director

29 August 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

INDEPENDENT AUDITOR'S REPORT

To the unitholders of GARDA Diversified Property Fund

Report on the Financial Report

We have audited the accompanying financial report of GARDA Diversified Property Fund, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant 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 Financial Report

The directors of GARDA Capital Limited as Responsible Entity of GARDA Diversified Property Fund 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the registered scheme's preparation of the financial report that gives a true and fair view 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 registered scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Opinion

In our opinion:

- (a) the financial report of GARDA Diversified Property Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

BDO Audit Pty Ltd

P A Gallagher
Director

Brisbane, 29 August 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.

