GARDA
CAPITAL GROUP

GARDA CAPITAL LIMITED
AND ITS CONTROLLED ENTITIES
ABN: 53 095 039 366

CONSOLIDATED ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016

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01
DIRECTORS' REPORT

Your directors present their report on the GARDA Capital Group (referred to hereafter as the **Group**, **GARDA** or **Consolidated Entity**) consisting of GARDA Capital Limited (**GCL** or **Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2016.

The parent entity is a company registered under the *Corporations Act 2001*.

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:

Current Directors

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 SF Fin 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 focussed 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 Queensland Mining Corporation Limited	Non-Executive Director Non-Executive Director	26 April 2007 15 June 2007	26 November 2014 28 February 2013
Matthew Madsen	-	-	-	-
Mark Hallett	-	-	-	-
Philip Lee	-	-	-	-
Leylan Neep	-	-	-	-

MEETING OF DIRECTORS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors during the financial year were:

DIRECTORS	DIRECTOR MEETINGS		
	ATTENDANCE	ELIGIBLE TO ATTEND	MEETINGS HELD DURING OFFICE
Mr David Usasz	11	12	12
Mr Matthew Madsen	12	12	12
Mr Mark Hallett	11	12	12
Mr Philip Lee	12	12	12
Mr Leylan Neep	12	12	12

COMPANY SECRETARY

The company secretary of GARDA Capital Limited is Mr Lachlan Davidson. Mr Davidson was appointed as company secretary on 28 July 2016. Mr Davidson has been with the company 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 GARDA Capital Group is an integrated real estate business comprising funds management, real estate debt advisory and property investment.

GARDA Capital Limited is the responsible entity for the ASX listed GARDA Diversified Property Fund (GDF) while other group entities undertake the related real estate management and leasing for this portfolio.

GARDA Finance Pty Ltd is the Group's debt advisory business, which provides intermediary services to borrowers, and arranges commercial real estate debt facilities for both investors and developers.

The Group's real estate investment activities include co-investment in the GARDA Diversified Property Fund (10.7% of GDF) as well as junior debt investment.

There were no other changes in the nature of the Group's activities during the financial year.

REVIEW AND RESULTS OF OPERATIONS

Revenue and other income for the year ended 30 June 2016 was $5,026,033 which is an increase of $78,274 compared to $4,947,759 in the prior year.

The net profit after tax of the Group for the period ended 30 June 2016 was $113,570 which is a decrease of $369,940 compared to $483,510 in the prior year.

The Group generated a negative operating cash flow of $169,721 during the year compared to positive $1,066,928 in the prior year.

REVIEW OF RESULTS OF OPERATIONS CONT.

The net asset position as at 30 June 2016 was $1,189,793 which is an increase of $113,570 compared to $1,076,223 in prior year. The increase represents net profits of the Group for the year.

The GARDA Diversified Property Fund assets under management (AUM) totalled $153.5 million at 30 June 2016 which has increased a further 19% or $29.5 million to $183.0 million as a result of a recent acquisition (see Subsequent Events section).

Significant transactions or events impacting the results and operating cash flows of the group during the year are as follows:

1. Uplift in fair value of Group's strategic investment in GARDA Diversified Property Fund by $250,124 to $10,254,828;
2. Uplift in fair value of the Group's investment property in Townsville by $498,556 to $1,200,000;
3. Offer and restructure costs of $426,896 incurred in relation to the listing of the Group on the ASX in July 2016; and
4. Impairment of carrying value of intangible assets by $214,061.

The Group maintained its strategic stake of 10.7% (10 million units) of the issued units in GARDA Property Diversified Fund during the year. The reported net tangible asset (NTA) value at 30 June for GDF units is $1.130. On a NTA basis, this would value the Group's investment at approximately $11.3 million, however, as per the accounting standards, the 30 June 2016 closing market price of $1.025 has been used to attribute a fair value of $10.3 million in the balance sheet.

The NTA of GDF units increased by $0.10 to $1.13 per unit compared to the prior year. This was primarily as a result of the increase in the independent valuation of the GDF properties by $12.45 million to $153.1 million as at 1 June 2016 compared to previous external valuation in 2015 of $140.65 million.

The Group continued to receive distributions during the year from GDF, totalling $0.9 million or $0.09 per unit.

The Group's $2 million junior debt investment performed within terms during the year generating $0.26 million in interest revenue. Furthermore the gearing position of this investment reduced following an increase in the independent valuations of the underlying security assets.

GARDA Finance Pty Ltd performed broadly within expectations during the period however the directors note the increasingly constrained credit environment may have an impact on this activity in the next financial year.

The Group was in a net current asset deficiency position as at 30 June 2016 by $7,690,464 which was primarily caused by the movement in classification of certain group loans from non-current to current given they became repayable in the next 12 months. Further to this, the Townsville land was reclassified from inventories (being a current asset) to investment properties (being a non-current asset). The change was necessary to align directors' intention of the use of the land in the long term.

On 14 July 2016, GARDA Capital Group listed on the ASX. As part of the initial public offer (IPO), $9.35 million of Group debt was converted to equity. Consequently, the net current asset deficiency position was extinguished through this recapitalisation of the Group. Refer Subsequent Event section of the directors' report for further details.

DIVIDENDS

No dividends were paid or declared during the year or since the end of the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

At an extraordinary general meeting of shareholders of GARDA Capital Limited held on 11 February 2016, a share conversion was approved to convert the existing shares on issue in the company from 1,955,050 shares to 8,000,000 shares.

On 9 June 2016, GARDA Capital Group lodged a combined product disclosure statement and prospectus with ASIC for the offer of 16.03 million GARDA Stapled Securities as part of an IPO and Group restructure. The IPO was conducted to strengthen the balance sheet of GARDA Capital Group and consisted of two offers:

- a general offer seeking to raise $6.68 million through the issue of 6.68 million GARDA stapled securities to both new investors and existing investors; and
- a conversion offer pursuant to which $9.35 million of certain existing Group loans will be converted into GARDA stapled securities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS CONT.

The Group restructure broadly involved:

a) GARDA Capital Trust (GCT) making a bonus issue of units to the existing investors in GCL on a 1:1 basis, for no consideration;

b) the transfer of GDF Units from GARDA REIT Holdings Pty Ltd as trustee for the GARDA REIT Holdings Unit Trust, a wholly owned subsidiary of GCL, to GCT; and

c) the conversion of certain existing Group loans into GARDA stapled securities.

Following the close of the IPO and issue of stapled securities, GARDA Capital Group commenced trading on the ASX on 14 July 2016. Refer to the Subsequent Event section of the directors' report for further details.

There have been no other matters or circumstances that have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

SUBSEQUENT EVENTS

Following the successful capital raising as part of the Group's IPO, on 13 July 2016, GARDA Capital Group was admitted to the official list of the Australian Securities Exchange (ASX) and on 14 July 2016, GARDA Capital Group began trading on the ASX. The listed GARDA Capital Group is a stapled security structure comprising GARDA Capital Limited and the GARDA Capital Trust, and their respective subsidiaries.

As part of the IPO and Group restructure, GARDA Capital Group issued 16.03 million GARDA stapled securities at an offer price of $1.00 per GARDA stapled security. The offer comprised of a general offer raising $6.68 million GARDA Stapled securities to both new investors and existing investors and a conversion offer of $9.35 million whereby existing Group loans was converted into GARDA Stapled Securities at an offer price of $1.00 per GARDA Stapled Security. The market capitalisation of the GARDA Capital Group at the offer price of $1.00 was $24.03 million.

All steps as part of the Group's restructure were completed by 19 July 2016, which included $2.43 million of funds raised under the IPO used to repay debt.

Further to this, on 20 July 2016, $0.5 million of Group debt was repaid from working capital, so that the only Group debt remaining at the time of signing this report was the capital adequacy loan of approximately $2 million which is subject to ASIC deed of subordination.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group seeks to generate diversified revenue streams from both operational activities as well as investment activities in commercial real estate. As a result of the recapitalisation and ASX listing of the Group, the Group is now very well placed to continue to execute its strategy.

The key Group activities include:

Operational:

1. Funds management (and associated real estate management and leasing), particularly of the GARDA Diversified Property Fund (ASX: GDF) which currently holds $183.0 million AUM;
2. Debt advisory - providing intermediary services to borrowers arranging commercial real estate debt facilities for both investors and developers;

Real Estate Investment:

3. Co-investment in GARDA Diversified Property Fund; and
4. Junior debt investments.

The key objectives for the 2017 financial year include:

1. Increasing the equity value of GDF and also further materially increasing AUM, which is expected to positively impact both the Group's funds management revenues and the Group's underlying investment in GDF;
2. Deployment of funds received from the Group's recapitalisation and ASX listing in July. This may take the form of either continued co-investment in GDF or further junior debt investments;

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES CONT.

3. The redeployment of the Group's existing junior debt investment in 2017 upon expiry of the underlying loan contract; and
4. Selective debt advisory activities, particularly having regard for the current credit environment which continues to demonstrate further tightening.

The recapitalisation and ASX listing of the Group will provide GARDA with the opportunity to possibly obtain further sources of capital when necessary to continue to grow the business in the future.

ENVIRONMENTAL ISSUES

The Group's operations were not subject to any significant environmental regulations under either Commonwealth or State legislation. However the directors believe that the Group 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 Group.

OPTIONS

At the date of this report there are no unissued stapled securities of the GARDA Capital Group.

There have been no options issued during or since the end of the financial year. There are nil options on issue as at the date of this report.

REMUNERATION REPORT (AUDITED)

The remuneration report outlines remuneration for those people considered to be Key Management Personnel (KMP) of the Group during the Reporting Period. KMP are persons having authority and responsibility for planning, directing and controlling the activities of GARDA Capital Group.

KMP consists of:

- Non-executive directors; and
- Executive directors and senior executives.

Details of the KMP who held office during the reporting period, their roles and appointment dates are illustrated below:

Key Management Personnel

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

Remuneration Policy

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;

REMUNERATION REPORT (AUDITED) CONT.

- performance linkage/alignment of executive compensation;
- transparency; and
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Managing Director remuneration

The Managing Director, Matthew Madsen is not an employee of the GARDA Capital Group but rather provides his services to the GARDA Capital Group through a service contract with Madsen Advisory Pty Ltd (Madsen Advisory) an entity associated with the Managing Director (Madsen Advisory Agreement).

The Madsen Advisory Agreement contains usual confidentiality and non-competition provisions. It requires that Mr Madsen and Madsen Advisory perform the specified services with due skill and care, in accordance with the reasonable directions of the Board. Madsen Advisory is paid an annual fee of $495,000.

The Madsen Advisory Agreement can be terminated by GARDA Capital Group on one years' notice (or immediately for fraud, gross negligence, misconduct or criminal offence), or by Madsen Advisory on six months' notice. There is a restraint on Mr Madsen and Madsen Advisory competing with GCL or its subsidiaries or interfering with the relationship between the GARDA Capital Group and its staff, customers, suppliers or contractors for six months following termination.

Non-executive director remuneration

Remuneration to non-executive directors reflects the demands which are made on, and the responsibilities of, the directors. Remuneration is reviewed annually by the board.

The current maximum aggregate sum to be paid as fees to the non-executive directors is $400,000 per annum, as approved at the 2014 annual general meeting.

Executive director and senior executive remuneration

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term performance incentives.

The combination of these comprises the executive's total remuneration.

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. The Group receives advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Benefits

Executives may receive benefits including car parking.

Short-term incentives

Executives are entitled to certain bonuses depending on the satisfaction of performance criteria. Each year key performance indicators (KPIs) are set for the key management personnel and the minimum standard that must be achieved. The KPIs generally include measures related to the company performance, and include financial, people, customer, strategy and risk measures.

Where the individual has satisfied the minimum standard for the KPIs they may be paid a bonus. No bonus is awarded

REMUNERATION REPORT (AUDITED) CONT.

where performance falls below the minimum. The method of assessment was chosen as it provides the board with an objective assessment of the individual's performance. Incentives may be granted at the discretion of the board by way of shares or a cash bonus or a combination of both.

Long-term incentives

Long-term incentives may be provided to certain employees through an intended introduction of a GARDA Capital Group employee security scheme (subject to approval). Neither current directors nor have current employees been granted any long term share incentives.

Key Management Personnel Remuneration

2016	Short Term			Post-employment			Share-based payments		
	Salary & fees	Bonus	Non-cash benefits	Superannuation	Long-term benefits	Termination benefits	Options/ shares	Total	Performance related %
Directors									
David Usasz	120,000	-	-	-	-	-	-	120,000	-
Matthew Madsen	495,000	-	489	-	-	-	-	495,489	-
Mark Hallett	75,000	-	-	-	-	-	-	75,000	-
Philip Lee	54,795	-	-	5,205	-	-	-	60,000	-
Leylan Neep	207,692	-	489	19,731	1,626	-	-	229,538	-
Senior Executive									
Lachlan Davidson	176,539	-	-	16,771	487	-	-	193,797	-
	1,129,026	**-**	**978**	**41,707**	**2,113**	**-**	**-**	**1,173,824**	

2015	Short Term			Post-employment			Share-based payments		
	Salary & fees	Bonus	Non-cash benefits	Superannuation	Long-term benefits	Termination benefits	Options/ shares	Total	Performance related %
Directors									
David Usasz[1]	15,300	-	-	-	-	-	-	15,300	
Matthew Madsen[2]	431,250	-	-	-	-	-	-	431,250	
Mark Hallett	75,000	-	-	-	-	-	-	75,000	
Philip Lee[3]	-	-	-	-	-	-	-	-	
Leylan Neep	190,769	40,000	-	18,123	1,338	-	-	250,230	16.0%
Senior Executive									
Lachlan Davidson	170,000	29,521	-	16,628	151	-	-	216,300	13.6%
	882,319	**69,521**	**-**	**34,751**	**1,489**	**-**	**-**	**988,080**	

[1] Appointed 21 May 2015.
[2] Includes 9 months of fees from GARDA Finance Pty Ltd (rather than full year), reflecting the post-acquisition period of the subsidiary.
[3] Appointed 21 May 2015, no fees was payable until the first Board meeting in July 2015.

REMUNERATION REPORT (AUDITED) CONT.

Key Management Personnel share holdings (number of shares)

2016	HELD AT THE BEGINNING OF THE YEAR	GRANTED OR ACQUIRED DURING THE YEAR	DISPOSALS / SHARE BUYBACK DURING THE YEAR	SHARE SPLIT 1:4.09	HELD AT THE END OF THE YEAR
Directors					
David Usasz[1]	-	-	-	-	-
Matthew Madsen	948,258	-	(48,876)	2,780,800	3,680,182
Mark Hallett[2,3]	-	65,168	-	201,493	266,661
Philip Lee[4]	-	-	-	-	-
Leylan Neep[2]	-	65,168	-	201,493	266,661
Senior Executive					
Lachlan Davidson[2]	-	32,584	-	100,747	133,331
Total	**948,258**	**162,920**	**(48,876)**	**3,285,163**	**4,346,835**

[1] David Usasz participated in the June 2016 IPO and on 11 July 2016 was subsequently allocated 100,000 stapled securities.
[2] Shares acquired through an off-market transfer.
[3] Mark Hallett is a joint trustee of a trust that is a shareholder of M3SIT Pty Ltd, the trustee of a trust which owns 3,413,522 shares (2015: 948,258) in GCL at 30 June 2016. TSPAN Pty Ltd, a related entity of Mr Hallett's spouse participated in the June 2016 IPO and on 11 July 2016, as part of the conversion offer was allocated 350,000 stapled securities.
[4] Philip Lee participated in the June 2016 IPO and on 11 July 2016 was subsequently allocated 48,000 stapled securities.

2015	HELD AT THE BEGINNING OF THE YEAR	GRANTED OR ACQUIRED DURING THE YEAR	SHARE CONSOLIDATION 1000 : 1	DISPOSALS / SHARE BUYBACK DURING THE YEAR	HELD AT THE END OF THE YEAR
Directors					
David Usasz[1]	-	-	-	-	-
Matthew Madsen[2]	256,506,196	691,751,161	(947,309,099)	-	948,258
Mark Hallett[3]	-	-	-	-	-
Philip Lee[4]	-	-	-	-	-
Leylan Neep	-	-	-	-	-
Senior Executive					
Lachlan Davidson	-	-	-	-	-
Total	**256,506,196**	**691,751,161**	**(947,309,099)**	**-**	**948,258**

[1] David Usasz participated in the June 2016 IPO and on 11 July 2016 was subsequently allocated 100,000 stapled securities.
[2] Shares acquired through an off-market transfer.
[3] Mark Hallett is a joint trustee of a trust that is a shareholder of M3SIT Pty Ltd, the trustee of a trust which owns 3,413,522 shares (2015: 948,258) in GCL at 30 June 2016. TSPAN Pty Ltd, a related entity of Mr Hallett's spouse participated in the June 2016 IPO and on 11 July 2016, as part of the conversion offer was allocated 350,000 stapled securities.
[4] Philip Lee participated in the June 2016 IPO and on 11 July 2016 was subsequently allocated 48,000 stapled securities.

No other shares are held by any of the directors or other key management personnel.

REMUNERATION REPORT (AUDITED) CONT.

Service Agreements

It is the Group's policy that service contracts for salaried key management personnel are unlimited in term but capable of termination with notice by either party. The Group retains the right to terminate the contract immediately without notice if the key management personnel is at any time guilty of serious, wilful or persistent misconduct. On termination, salaried key management personnel are entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. No amount was paid in 2016 or 2015. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy outlined above. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the board.

Remuneration and other terms of employment for directors and key management personnel are set by the board. The terms may include fees, salary and provide for the provision of performance-related cash bonuses, other benefits including car parking and participation, when eligible, in the GARDA Capital Group Employee Share Scheme. Key terms of the appointment of each of the key management personnel are described below:

Current Directors and Key Management Personnel

David Usasz Chairman

- Term of agreement: no fixed term, on-going.
- Base fee as at 30 June 2016 of $120,000 per annum plus GST, with increases for time and scope, to be reviewed annually.
- Termination notice period is 90 days' notice.

Matthew Madsen Managing Director

- Term of agreement: no fixed term, on-going.
- Base fee as at 30 June 2016 of $495,000 per annum plus GST, with increases for time and scope, to be reviewed annually.
- Termination notice period is one years' notice.

Mark Hallett Non-Executive Director

- Term of agreement: no fixed term, on-going.
- Base fee as at 30 June 2016 of $75,000 per annum plus GST, with increases for time and scope, to be reviewed annually.
- Termination notice period is 90 days' notice.

Philip Lee Non-Executive Director

- Term of agreement: no fixed term, on-going.
- Base remuneration as at 30 June 2016 of $60,000 per annum (including superannuation), to be reviewed annually.
- Termination notice period is 90 days' notice.

Leylan Neep Executive Director and CFO

- Term of agreement: no fixed term, on-going.
- Base remuneration as at 30 June 2016 of $200,000 per annum (plus superannuation), to be reviewed annually.
- Termination notice period is 4 weeks' notice.

Lachlan Davidson General Counsel and Company Secretary

- Term of agreement: no fixed term, on-going.
- Base remuneration as at 30 June 2016 of $170,000 per annum (plus superannuation), to be reviewed annually.
- Termination notice period is 2 months' notice.

REMUNERATION REPORT (AUDITED) CONT.

Security Based Compensation

It is anticipated that employees and directors of GARDA Capital Group will be able to participate in an 'employee security scheme' (ESS), to be established and conducted in accordance with the Corporations Act and the Listing Rules. The Boards believe strongly that alignment of staff with the interests of Investors is important, and an appropriate ESS achieves that.

There is currently no ESS in place for GARDA stapled securities. However once a proposal is approved it is anticipated that there will be an ESS in place for the year ending 30 June 2017.

The GARDA Capital Group intends to seek Investor approval prior to the issue of GARDA Stapled Securities under any employee security scheme.

Remuneration: Relationship to Shareholder Wealth

The overall level of key management personnel's compensation takes into account the performance of the Group and in particular the profits derived and dividends paid by the Company. Such performance is considered when determining the level of short term incentives (i.e. bonuses) paid to key management personnel in any given financial year. This policy has been consistently applied over a number of years and takes into consideration:

MEASURES	2016 $	2015 $	2014 $	2013 $	2012 $
Profit/(loss) for the financial year	113,570	483,510	(241,820)	802,720	92,473

Based upon the profit performance, no short term incentives have been paid to any of the key management personnel in the current or prior year in respect of purely profit driven performance. Short term incentives in the form of monetary bonuses have been paid where executives have met certain broader performance hurdles.

Other transactions with directors

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

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

END OF REMUNERATION REPORT

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

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

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

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

The Group has paid 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 officers of the Group. 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 Group has not indemnified its auditor.

PROCEEDINGS ON BEHALF OF THE GROUP

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

Under the GCL complaints handling procedures there are various complaints that GCL as responsible entity of various schemes has received. GCL has dealt with these matters. Some of these matters may potentially be considered by the Financial Ombudsman Service.

NON-AUDIT SERVICES

Non-audit services in the form of taxation and other regulatory services were provided by the Group's auditor during the year, refer to note 21 for details.

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Director's Report and can be found on page 16.

This report is signed in accordance with a resolution of the board of directors of GARDA Capital Limited.

David Usasz

Mr David Usasz
Chairman

29 August 2016

Mr Matthew Madsen
Managing Director

29 August 2016

02
AUDITOR'S INDEPENDENCE DECLARATION

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Australia

DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF GARDA CAPITAL LIMITED

As lead auditor of GARDA Capital Limited 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.

This declaration is in respect of GARDA Capital Limited and the entities it controlled during the year.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 29 August 2016

03

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTE	2016 $	2015 $
Revenue	4	4,277,359	4,945,659
Other income	4	748,674	2,100
Employee benefits expense		(1,230,045)	(1,580,279)
Professional costs		(1,017,857)	(807,588)
Facilities management costs		(196,290)	(225,208)
Depreciation		(22,467)	(22,470)
Amortisation of intangibles		(84,171)	(266,277)
Insurance		(118,200)	(136,419)
Occupancy costs		(247,192)	(222,974)
Finance costs		(1,361,468)	(384,271)
Impairment of receivables		(3,630)	(104,536)
Fair value of financial assets held for sale		-	(7,642)
Other expenses		(319,357)	(297,950)
Impairment of intangible assets	11	(214,061)	-
Profit before income tax		**211,295**	**892,145**
Income tax expense	6	(97,725)	(408,635)
Profit after income tax		**113,570**	**483,510**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to:			
Owners of GARDA Capital Limited		**113,570**	**483,510**
Basic and diluted earnings per share (cents)	26	**1.4**	**6.6**

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

04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	NOTE	2016 $	2015 $
ASSETS			
Current assets			
Cash and cash equivalents	25	1,678,525	2,426,668
Trade and other receivables	7(a)	2,844,006	438,245
Inventories	8	-	663,791
Other assets		-	3,024
Total current assets		**4,522,531**	**3,531,728**
Non-current assets			
Other Receivables	7(b)	-	2,000,000
Property, plant and equipment		35,585	58,052
Financial assets	10	10,254,828	10,004,824
Investment properties	9	1,201,000	-
Intangible assets	11	738,207	1,036,439
Total non-current assets		**12,229,620**	**13,099,315**
Total assets		**16,752,151**	**16,631,043**
LIABILITIES			
Current liabilities			
Trade and other payables	12	695,369	665,839
Interest bearing loans	13	1,500,000	250,000
Financial liabilities held at fair value through profit or loss	14	9,600,000	1,250,000
Provisions	15	165,995	659,456
Current tax liability		251,631	356,258
Total current liabilities		**12,212,995**	**3,181,553**
Non-current liabilities			
Deferred tax liability	6	135,396	37,674
Interest bearing loans	13	3,208,458	3,979,643
Financial liabilities held at fair value through profit or loss	14	-	8,350,000
Provisions	15	5,509	5,950
Total non-current liabilities		**3,349,363**	**12,373,267**
Total liabilities		**15,562,358**	**15,554,820**
Net assets		**1,189,793**	**1,076,223**
EQUITY			
Contributed equity	16	1,942,421	1,942,421
Accumulated Losses		(752,628)	(866,198)
Total equity		**1,189,793**	**1,076,223**

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

05

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	CONTRIBUTED EQUITY $	ACCUMULATED LOSSES $	TOTAL $
Balance at 1 July 2014	**1,387,555**	**(1,349,708)**	**37,847**
Comprehensive income			
Profit for the year	-	483,510	483,510
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**483,510**	**483,510**
Transactions with owners			
Share issue	589,026	-	589,026
Share buy back	(34,160)	-	(34,160)
Balance at 30 June 2015	**1,942,421**	**(866,198)**	**1,076,223**
Balance at 1 July 2015	**1,942,421**	**(866,198)**	**1,076,223**
Profit for the year	-	113,570	113,570
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**113,570**	**113,570**
Transactions with owners	-	-	-
Balance at 30 June 2016	**1,942,421**	**(752,628)**	**1,189,793**

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

06

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	NOTE	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		3,412,414	5,360,506
Payments in the course of operations		(3,554,474)	(3,891,344)
Interest received		293,808	157,018
Distributions received		675,679	223
Interest paid		(740,336)	(299,964)
Income tax paid		(128,751)	(83,060)
GST paid		(128,061)	(176,451)
Net cash (used in)/provided by operating activities	25	(169,721)	1,066,928
Cash flows from investing activities			
Business acquisitions contingent consideration payment		(64,351)	-
Payments for property, plant and equipment		-	(7,813)
Funds transferred for wind up expenses	15	1,131,917	13,220
Wind up expenses paid	15	(1,625,378)	(427,156)
Payments for acquisition of units		-	(4,400,000)
Payments for acquisition of shares		-	(454,482)
Proceeds on sale of financial assets available for sale		120	1,800
Payments for improvements to inventories		-	(424,376)
Payments for improvements to investment properties		(38,675)	-
Loans provided to external parties		-	(2,000,000)
Net cash used in investing activities		(596,367)	(7,698,807)
Cash flows from financing activities			
Proceeds from borrowings		-	550,000
Proceeds of shareholder loan		-	4,100,000
Proceeds from related party loans		250,000	500,000
Payment for security issue costs in relation to IPO		(232,055)	-
Payments for share buy back – owners of the parent entity		-	(34,160)
Net cash provided by financing activities		17,945	5,115,840
Net decrease in cash held		(748,143)	(1,516,039)
Cash at the beginning of the financial year		2,426,668	3,942,707
Cash at the end of the financial year	25	**1,678,525**	**2,426,668**

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

07

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL REPORT

NOTE 1 - GENERAL INFORMATION

Introduction

These financial statements cover GARDA Capital Limited (**GCL** or **Company**) and its subsidiaries (together referred to as the **Group**, **GARDA** or **Consolidated Entity**). At 30 June 2016 GARDA Capital Limited was an unlisted public company, incorporated and domiciled in Australia. Refer to subsequent events in note 27 for details on GARDA Capital Limited becoming a listed public company after the end of the financial year.

The following is a summary of the material accounting policies adopted by the Group in the preparation of these financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities

The GARDA Capital Group is an integrated real estate business comprising funds management, real estate debt advisory and property investment.

GARDA Capital Limited is the responsible entity for the ASX listed GARDA Diversified Property Fund (GDF) while other group entities undertake the related real estate management and leasing for this portfolio.

GARDA Finance Pty Ltd is the Group's debt advisory business, which provides intermediary services to borrowers, and arranges commercial real estate debt facilities for both investors and developers.

The Group's real estate investment activities include co-investment in the GARDA Diversified Property Fund (10.7% of GDF) as well as junior debt investment.

Currency

The financial report is presented in Australian dollars. The financial report is rounded to the nearest dollar.

Registered office

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

Authorisation of financial report

The financial report was authorised for issue on 29 August 2016 in accordance with a resolution of 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 and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Compliance with IFRS

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

Historical cost convention

The financial statements have been prepared on a historical cost basis, except intangible assets which have been measured at fair value less costs to sell.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

Critical accounting estimates and judgements

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 Group's accounting policies.

The directors 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 Group. These estimates and judgements 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 affects only that period or in the period and future periods if the revision affects both current and future periods.

Key estimates and judgements – Licence

Included in intangible assets is an asset for $79,061 relating to the Australian financial services licence held by GARDA Funds Management Limited. This asset arose when GARDA Capital Limited acquired GARDA Funds Management Limited in 2011. After considering external and internal sources of information for indication of impairment of license, an impairment charge of $79,061 against the carrying value of the license has been recognised as at 30 June 2016 resulting in a net carrying value of $nil. Refer note 11 for further details.

Key estimates and judgements – Goodwill

The Group carried out an annual assessment of goodwill for any impairment by comparing the recoverable value of the cash generating unit to which the goodwill was allocated to against its carrying value. External and internal sources of information for indicators of impairment were also considered.

Based on the annual assessment of impairment of goodwill by the Group, an impairment charge of $135,000 was recognised against the carrying value of goodwill. Refer note 11 for the basis of determining recoverable value and key assumptions used.

Key judgement – Going Concern

As part of the IPO and Group restructure, GARDA Capital Group issued 16.03 million GARDA stapled securities at an offer price of $1.00 per GARDA stapled security. The offer comprised of a general offer raising $6.68 million GARDA Stapled securities to both new investors and existing investors and a conversion offer of $9.35 million whereby existing Group loans was converted into GARDA Stapled Securities at an offer price of $1.00 per GARDA stapled security. The transaction significantly strengthened the balance sheet of the Group, and the market capitalisation of the Group at the offer price of $1.00 was $24.03 million.

All steps as part of the Group's restructure were completed by 19 July 2016, which included $2.43 million of funds raised under the IPO used to repay debt to the major shareholder of the Group.

The only Group debt remaining at the time of signing this report was the capital adequacy loan of approximately $2 million which is subject to ASIC deed of subordination.

The net current deficiency position of the Group has been substantially extinguished through the above transactions.

The directors are of the reasonable opinion that the Group will be able to meet its liabilities as and when they fall due. The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

Accounting policies

a. Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries of GARDA Capital Limited at the end of the reporting period. Subsidiaries are all entities, including special purpose entities, over which GARDA Capital Limited has control. The Group has control over an entity when it is exposed to, or has rights to, variable returns from its involvement in the entity, and has the ability to use its power to affect these returns. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The existence and effect of potential voting rights where the Group has the practical ability to exercise them are considered when assessing whether the Group controls another entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

Where subsidiaries have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in note 24 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of GARDA Capital Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or available for sale financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interests in the acquire either at fair value or at the non-controlling interests proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

b. Income Tax

The income tax expense/(revenue) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Tax Consolidation

GARDA Capital Limited and its wholly owned Australian subsidiaries have implemented the tax consolidation legislation.

The head entity, GARDA Capital Limited, and its subsidiaries in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, GARDA Capital Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

c. 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 in accordance with the effective interest method and amortised over the term of the facility to which they relate.

d. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Provision of services

Revenue from providing services is recognised in the profit and loss in proportion to the stage of completion of the service to be performed at the reporting date. Invoices raised for services not yet completed are recognised as deferred income on the Statement of Financial Position.

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Interest income

Interest income is recognised using the effective interest method.

Distributions

Distribution income is recognised as revenue when the right to receive payment is established.

e. Financial Instruments

Recognition and initial 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 Group commits itself to either the purchase or 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 and subsequent measurement

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

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

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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.

(i) Loans and 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 less impairment. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. Trade receivables are recognised at original invoice amounts less any provision for impairment and are generally due for settlement within 14 days.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses) as part of the available for sale reserve. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current assets.

(iii) Financial liabilities

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

(iv) Designation at fair value through profit or loss

The Group has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances:

- The assets and liabilities are managed, evaluated and reported internally on the fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.
- Note 10 and 14 sets out the amount of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

Impairment

A financial asset is assessed for impairment at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have a negative effect on the estimated future cash flows of that asset. In the case of available for sale financial assets, a significant or prolonged decline in the value of the instrument below cost is considered to determine whether an impairment has arisen.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted as the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of available for sale financial assets recognised previously in equity is reclassified to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available for sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

The carrying amount of receivables is reduced by the use of an allowance account where there is objective evidence that the entity will not be able to recover all amounts due. Evidence of impairment may include indications that the customer is experiencing significant financial difficulty. Where debt collection procedures have been commenced; there is a fair probability that the customer will be put into administration or liquidation.

The amount of the provision is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the effective interest rate.

When receivables for which impairment has previously been recognised are determined to be uncollectible, they are written off against the allowance account. If no provision for impairment was previously recognised, the impairment is written off against the receivable directly. Impairment losses arising from the use of allowance accounts or bad debts are recognised in the profit or loss.

Receivables are determined to be uncollectible only when there is no expectation of recovering any additional cash. This may occur when a final distribution has been made from administrators / liquidators, or where unsuccessful attempts have been

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

made to recover the debt through legal actions or debt collection agencies and the prospect of recovering any additional cash is remote.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

f. Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets 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 profit or loss. 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. 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 group.

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 group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

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

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

h. Cash and 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.

i. Goods and 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

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.

j. Inventories

Inventories are valued at the lower of the cost or net realisable value. Inventories are disclosed as current assets when managements intention is to sell these assets within 12 months of the balance sheet date.

k. Investment Properties

Investment properties held for indefinite future use or long term capital appreciation are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which is measured using the direct comparison approach as the primary valuation method. 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.

l. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset is:

Class of Fixed Asset	***Depreciation Rate***
Plant and Equipment	10 – 33%
Leasehold Improvements	Over the lease term

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

m. Operating Leases

Operating leases payments, net of any incentives from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

n. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

Short-term employee benefits

Liabilities for wages, annual leave and bonuses that are expected to be settled wholly within twelve months of the end of the reporting period are recognised in Other Liabilities in respect of employee services provided to the end of the reporting period and are measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long-term employee benefits

Liabilities for long service leave are recognised as provisions for employee benefits and are measured at the present value of the expected future payments to be made in respect of services provided to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salary and wage increases, experience of employee departures and periods of service.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period. Contributions are made by the Group to employee superannuation funds and are recognised in profit or loss when incurred.

o. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

p. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be requested to settle the obligation.

q. Intangibles

Licence

The licence was acquired as part of a business combination and has been recognised separately from goodwill. The licence is carried at fair value at the date of acquisition less any impairment losses. The licence is not amortised as it has been determined that it has an indefinite useful life.

Procurement and trail fees

Procurement and trail fees are classified as intangible assets with a finite life. They are recorded at cost and amortised on a straight line basis over the expected useful life of the fees being 1 to 5 years.

Goodwill

Goodwill is measured as described in note 2. Goodwill on acquisitions of subsidiaries is included in goodwill as intangible assets. Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses on goodwill cannot be reversed.

r. Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

s. Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Prior year Interest revenue earned from loans advanced to external parties have been reclassed as operating revenue. Refer note 4 for further details.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT.

t. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of GARDA Capital Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

u. Adoption of New and Revised Accounting Standards and Interpretations

The Group 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 was not significant.

v. 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 Group. The Group'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 GROUP	IMPACT TO THE GROUP
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 Group 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.	30 June 2019	The Group 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.	30 June 2020	To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability.

NOTE 3 - DIVIDENDS

	2016 $	2015 $
Dividends paid or declared during the year	-	-
Franking credits available	3,592,479	3,420,802

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

NOTE 4 - REVENUE AND OTHER INCOME

	2016 $	2015 $
Operating revenue		
Management fees – responsible entity	1,002,532	1,061,908
Management fees – property management	672,783	743,824
Management fees – facilities management	209,812	236,431
Projects income	96,398	167,269
Real estate commission	-	326,500
Leasing fees	183,613	340,823
Recovery of professional fees	118,125	260,623
Registry costs	16,500	83,273
Capital works fee	122,797	85,295
Interest	262,370	103,454
Asset sale fee	-	267,000
Participation fee	-	116,000
Procurement fees	386,287	570,193
Trail fees	251,867	288,676
	3,323,084	4,651,269
Non-Operating revenue		
Interest	33,450	53,564
Distributions received	900,679	223
Sundry income	20,146	240,603
	954,275	294,390
Total Revenue	4,277,359	4,945,659
Other income		
Profit on disposal of assets	-	2,100
Fair value gain on financial assets	250,118	-
Fair value gain on investment property	498,556	-
Total Other income	748,674	2,100
Total Revenue and Other Income	**5,026,033**	**4,947,759**

NOTE 5 - PROFIT BEFORE INCOME TAX

	2016 $	2015 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense:		
a. Contributions to superannuation funds	91,596	130,924

NOTE 6 - INCOME TAX

	2016 $	2015 $
The components of income tax expense comprise:		
Current tax/(benefit) expense	(186,052)	374,045
Deferred tax – origination and reversal of temporary differences	283,777	34,590
	97,725	408,635
The prima facie tax on profit/loss before income tax is reconciled to income tax as follows:		
Profit before income tax	211,295	892,145
Prima facie tax payable on profit before income tax at 30% (2015: 30%)	63,389	267,644
Entertainment	10,508	2,609
Impairment of intangible assets	23,718	-
Non-deductible recognition of Goodwill	-	125,619
Other non-deductible items	110	12,764
	97,725	408,636
Composition of deferred tax balances		
Tax losses	186,052	-
Provision for employee benefits	10,409	14,684
Other assets	-	208
Accrued expenses	22,271	53,629
Lease incentive liability	14,033	12,280
Trademarks	1,182	-
Legal fees (blackhole) expensed	4,784	9,567
Entry cost base adjustment – intangibles	(99,944)	(99,944)
Entry cost base adjustment – goodwill	(82,589)	(123,089)
Entry cost base adjustment – PP&E	(2,572)	(2,572)
Amortisation of intangibles	105,134	79,883
Depreciation	975	558

NOTE 6 - INCOME TAX CONT.

	2016 $	2015 $
Composition of deferred tax balances continued		
Blackhole expenditure	824	(114)
Legal fees (cost base)	14,943	14,943
IPO cost	32,839	-
Other liabilities	2,182	2,293
Revaluation of investment property	(149,567)	-
Deferred component on distributions	(121,315)	-
Unrealised revaluation of units	(75,037)	-
	(135,396)	(37,674)

Movements in deferred tax balances

2016	OPENING BALANCE $	CHARGED TO INCOME STATEMENT $	CLOSING BALANCE $
Tax losses	-	186,052	186,052
Provision for employee benefits	14,684	(4,275)	10,409
Other assets	208	(208)	-
Accrued expenses	53,629	(31,358)	22,271
Lease incentives	12,280	1,753	14,033
Trademarks	-	1,182	1,182
Legal fees (blackhole) expensed	9,567	(4,783)	4,784
Entry cost base adjustment – intangibles	(99,944)	-	(99,944)
Entry cost base adjustment – goodwill	(123,089)	40,500	(82,589)
Entry cost base adjustment – PP&E	(2,572)	-	(2,572)
Amortisation of intangibles	79,883	25,251	105,134
Depreciation	558	414	972
Blackhole expenditure	(114)	938	824
Legal fees (cost base)	14,943	-	14,943
IPO costs	-	32,839	32,839
Other liabilities	2,293	(111)	2,182
Revaluation of investment property	-	(149,567)	(149,567)
Deferred component on distributions	-	(121,315)	(121,315)
Unrealised revaluation of units	-	(75,037)	(75,037)
Deferred tax asset	(37,674)	97,725	135,396

NOTE 6 - INCOME TAX CONT.

Movements in deferred tax balances continued

2015	OPENING BALANCE $	CHARGED TO INCOME STATEMENT $	CLOSING BALANCE $
Tax losses	24,079	(24,079)	-
Provision for employee benefits	11,572	3,112	14,684
Other assets	416	(208)	208
Accrued expenses	23,747	29,882	53,629
Lease incentives	7,045	5,235	12,280
Legal fees (blackhole) expensed	14,351	(4,784)	9,567
Contingent liabilities	18,600	(18,600)	-
Entry cost base adjustment – intangibles	-	(99,944)	(99,944)
Entry cost base adjustment – goodwill	-	(123,089)	(123,089)
Entry cost base adjustment – PP&E	-	(2,572)	(2,572)
Amortisation of intangibles	-	79,883	79,883
Depreciation	-	558	558
Blackhole expenditure	-	(114)	(114)
Legal fees (cost base)	-	14,943	14,943
Accrued income	(2,551)	2,551	-
Other liabilities	(357)	2,650	2,293
Deferred tax asset	96,902	(134,576)	(37,674)

As at 30 June 2015 all revenue losses were brought to account. During the 30 June 2016 tax losses have been carried forward. These have been raised as a deferred tax asset.

NOTE 7 - TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
(a) Current		
Trade receivables	206,058	210,849
Prepayments	301,409	71,536
Sundry receivables	336,539	155,860
Loan - secured	2,000,000	-
	2,844,006	438,245
(b) Non-Current		
Loan – secured	-	2,000,000
	-	2,000,000

All current receivables are non-interest bearing. The secured loan provided has an interest rate of 13% applicable. It is secured by a second ranking mortgage and general security agreement and is repayable February 2017. Refer to note 17 for details of the credit quality of trade and other receivables.

NOTE 8 - INVENTORIES

	2016 $	2015 $
Palmer Street, Townsville	-	663,791
Total Inventories	**-**	**663,791**
Movements during the period		
Balance at beginning of year	663,791	-
Acquisition of property at fair value	-	200,000
Capital additions	37,653	463,791
Transfer to investment properties	(701,444)	-
Balance at end of half year	**-**	**663,791**

Land at Palmer Street Townsville was transferred into a subsidiary, GARDA TSV Unit Trust, during the year ended 30 June 2015 from Opus Development Fund 1 (DF1). This was in part satisfaction of DF1's outstanding debt to GCL as first mortgagee. The transfer of the property allowed GCL as the responsible entity of DF1 to wind up the scheme.

As at 30 June 2015, land at Palmer Street, Townsville was classified as inventory, as in management's judgement it was not definitive to conclude the viability of the land, as significant costs for rectification works were still being incurred and it was considered appropriate by management to hold the land for short-term sale.

Rectification works on the land have been completed during the period and the directors currently intend to hold the land for undetermined future use or long term capital appreciation. As such the directors have determined that the land be classified as investment property as at 30 June 2016, which is supported by an independent valuation performed in December 2015. Refer note 9 below for details on independent valuation.

NOTE 9 - INVESTMENT PROPERTIES

	2016 $	2015 $
Land at Palmer Street, Townsville	1,201,000	-
Total investment properties	**1,201,000**	**-**
Movements during the period		
Balance at beginning of year	-	-
Transfer from inventories	701,444	-
Fair value movement	498,556	-
Additions	1,000	-
Balance at end of year	**1,201,000**	**-**

As at 30 June 2016 land was valued at $1,200,000. The basis of the valuation is fair value being the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market.

NOTE 9 - INVESTMENT PROPERTIES CONT.

The valuation was based on independent assessments made by qualified and suitably experienced certified practicing external valuers using a direct comparison approach as the primary valuation method. Direct comparison valuation methodology primarily analyses historical sales of similar properties to determine rate per square metre of total land and ultimately an appropriate value is determined. These valuations were undertaken by independent assessment in December 2015.

Contractual Obligations

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

NOTE 10 - FINANCIAL ASSETS

	2016 $	2015 $
Financial assets measured at fair value through profit or loss		
Units in GARDA Diversified Property Fund	10,254,828	10,004,704
Movements during the period		
Balance at beginning of year	10,004,704	10,000,000
Additions	6	-
Transfers from available for sale financial asset	-	4,704
Fair value movement	250,118	-
Balance at end of year	**10,254,828**	**10,004,704**
Available for sale financial assets		
Units in unit trust	-	120
	-	**120**
Total Financial Assets	**10,254,828**	**10,004,824**

NOTE 11 - INTANGIBLE ASSETS

	2016 $	2015 $
License	-	79,061
Trail and procurement rights	581,773	581,773
Accumulated amortisation	(350,448)	(266,277)
	231,325	315,496
Goodwill	506,882	641,882
Total intangible assets	**738,207**	**1,036,439**

NOTE 11 - INTANGIBLE ASSETS CONT.

	LICENCE $	TRIAL AND PROCUREMENT RIGHTS $	GOODWILL $	TOTAL $
Movement during the period				
Balance at 1 July 2014	79,061	-	-	79,061
Additions	-	581,773	641,882	1,223,655
Amortisation expense	-	(266,277)	-	(266,277)
Balance at 30 June 2015	**79,061**	**315,496**	**641,882**	**1,036,439**
Balance at 1 July 2015	79,061	315,496	641,882	1,036,439
Amortisation expense	-	(84,171)	-	(84,171)
Impairment of intangible assets	(79,061)	-	(135,000)	(214,061)
Balance at 30 June 2016	**-**	**231,325**	**506,882**	**738,207**

Impairment assessment of license

License of $79,061 relates to the Australian financial services licence held by GARDA Funds Management Limited. This asset arose when GARDA Capital Limited acquired GARDA Funds Management Limited in 2011. After considering external and internal sources of information for indication of impairment and the resulting recoverable value, an impairment charge of $79,061 was recognised against the carrying value of the license.

Impairment assessment of Goodwill

Impairment testing for Cash Generating Unit Containing Goodwill

Goodwill of $641,882 was generated through the acquisition of GARDA Finance Pty Ltd (formerly Madsen Finance Pty Ltd) in September 2014. For the purposes of annual impairment testing of goodwill, GARDA Finance Pty Ltd has been identified as a separate cash generating unit (CGU).

Impairment exists when the carrying amount of the CGU containing goodwill exceeds its recoverable amount. The recoverable amount is the higher of the fair value or value in use. Management has adopted a fair value or enterprise value approach in determining the recoverable amount considering this was the basis adopted for valuation of GARDA Finance Pty Ltd by the Independent Experts for acquisition purposes in the preceding period. The fair value adopted for acquisition purposes principally comprised of goodwill and trail and procurement fee rights.

Key assumptions used in determining fair value is as follows:

- Normalised weighted EBITDA adopted for enterprise value calculations is within the acceptable materiality range of the maintainable EBITDA used by the Independent Experts for acquisition purposes in the preceding period; and
- EBITDA multiple with a range of 1.75 to 2.25 as used by the Independent Experts for acquisition purposes in the preceding period.

The directors have also considered the following qualitative factors or triggering events tin their assessment of impairment of goodwill:

- Any significant adverse change in macroeconomic conditions such as deterioration in general economic conditions and developments in equity and credit markets.
- Any significant adverse change in legal, regulatory, competitive environment, political or economic conditions directly or indirectly affecting a debt advisory business.

Based on the above considerations and the recoverable value determined, an impairment loss of $135,000 has been recognised against the goodwill.

NOTE 12 - TRADE AND OTHER PAYABLES

	2016 $	2015 $
Trade creditors	122,203	99,008
Sundry creditors and accruals	497,203	482,905
Annual leave payable	29,185	42,994
Rent incentive liability	46,778	40,932
	695,369	**665,839**

NOTE 13 - INTEREST BEARING LOANS

	2016 $	2015 $
Current		
Shareholder loan (unsecured)	200,000	-
Related party loan (unsecured)	750,000	250,000
Unsecured loans	550,000	-
	1,500,000	**250,000**
Non-Current		
Shareholder loan (secured)	3,293,520	3,150,000
Establishment fee	(85,062)	(170,357)
Shareholder loan (unsecured)	-	200,000
Related party loans (unsecured)	-	250,000
Unsecured loans	-	550,000
	3,208,458	**3,979,643**

The approximate fair value of financial liabilities is determined to be the carrying value.

Shareholder Loan

Current

In January 2015 a $200,000 unsecured loan facility was advanced to a subsidiary of GCL to part fund the Group's investment into real estate through a debt position to a third party. An interest rate of 10% is applicable.

The loan balance has been converted to equity on 15 July 2016 as part of the restructure of the Group and listing on the ASX.

Non-Current

This loan facility has been advanced to the Group by the major shareholder, M3SIT Pty Ltd as trustee for the M3 Solutions Investment Trust. The original facility was advanced in 2012, with subsequent variations in 2014 and 2016.

Interest is payable at 8% per annum, and the current expiry date of the loan is 31 December 2019.

$1,180,000 of the total loan balance was converted to equity on 15 July 2016 as part of the restructure of the Group and listing on the ASX.

NOTE 13 - INTEREST BEARING LOANS CONT.

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

Related Party Loans

GARDA Property Finance Pty Ltd, being a subsidiary of GCL, was incorporated in the 2015 financial year and is the vehicle through which the Group currently has invested into real estate through debt positions. A number of parties have advanced capital to this company to fund the Group's investment into real estate via a debt position with a third party. This includes funding obtained from Madsen Nominees Pty Ltd ATF Madsen Family Trust, a related entity of Matthew Madsen (Managing Director). The related party loan facility of $250,000 is subject to 10% interest.

The loan balance has been converted to equity on 15 July 2016 as part of the restructure of the Group and listing on the ASX.

In May 2015 a loan was entered into by GARDA TSV Unit Trust, a subsidiary of GCL, with MB & PM Madsen Investments Pty Ltd for $250,000. During the year a further $250,000 was entered into resulting in total loan balance of $500,000. This loan was sought to fund remedial works at the property acquired in Townsville. An interest rate of 10% is applicable.

On 20 July 2016, the Group repaid $500,000 to MB & PM Madsen Investments Pty Ltd from working capital.

Unsecured loans

GARDA Property Finance Pty Ltd, being a subsidiary of GCL, obtained unsecured loans from third parties to the value of $550,000 during the year to part fund the Group's investment into real estate via debt positions with third parties. The loans are subject to 10% interest.

The loans were converted to equity on 15 July 2016 as part of the restructure of the Group and listing on the ASX.

NOTE 14 - FINANCIAL LIABILITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 $	2015 $
Current		
Shareholder loan (unsecured)	8,666,667	1,250,000
Related party loans (unsecured)	933,333	-
	9,600,000	**1,250,000**
Non-Current		
Shareholder loan (unsecured)	-	7,416,667
Related party loans (unsecured)	-	933,333
	-	**8,350,000**

Financial liabilities have been designated at fair value through profit or loss on inception. The loan was paid out subsequent to year end.

Shareholder Loan

In June 2015 unsecured loan facilities were advanced to fund the acquisition of units by a subsidiary of GCL in GARDA Diversified Property Fund. Under this agreement interest is calculated at the end of each quarter and is the annualised distribution rate expressed as a percentage of the actual distributed earnings (distributions to Unitholders) in GARDA Diversified Property Fund.

NOTE 14 - FINANCIAL LIABILITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS CONT.

Related Party Loans

GARDA REIT Holdings Unit Trust, a subsidiary of GCL, was incorporated to hold the units in GARDA Diversified Property Fund. The acquisition of the units in GARDA Diversified Property Fund was funded via a number of loans including $933,333 provided by related entities of Matthew Madsen. The loans have a term of 24 months being repayable in June 2017. Under these agreements interest is calculated at the end of each quarter and is the annualised distribution rate expressed as a percentage of the actual distributed earnings (distributions to Unitholders) in GARDA Diversified Property Fund.

As part of the restructure of the Group and listing on the ASX on 15 July 2016, $7,170,000 of the total loan balance of $9,600,000 has been converted to equity whilst on 19 July 2016, of the funds raised from the IPO, $2,430,000 was repaid in cash.

NOTE 15 - PROVISIONS

	2016 $	2015 $
Current		
Provision for wind up costs	165,995	659,456
	165,995	**659,456**
Non-Current		
Provision for employee entitlements	5,509	5,950
	5,509	**5,950**
Movements in provision for windup costs		
Opening balance at beginning of year	659,456	1,053,254
Funds transferred for wind up expenses	1,131,917	13,220
Funds transferred for payment of creditors	(1,000,000)	-
Wind up expenses paid	(625,378)	(407,018)
Balance at end of year	**165,995**	**659,456**

A provision for wind up costs has been recognised to reflect costs associated with the windup of the trusts for which GARDA Capital Limited is the responsible entity for. These costs are based on an estimate of the costs to wind up the remaining trusts.

Included in movements in provision during the year is $1,000,000 for the transfer of funds in June 2016 for the payment of Magnum Fund creditors. The amount had been held in the Group cash account during the year.

NOTE 16 - CONTRIBUTED EQUITY

			2016 $	2015 $
8,000,000 ordinary shares (2015: 1,955,050)			1,942,421	1,942,421
	2016 NUMBER	**2015 NUMBER**	**2016 $**	**2015 $**
Movements during the year				
Balance at beginning of year	1,955,050	1,288,975,860	1,942,421	1,387,555
Shares issued on acquisition of subsidiary[1]	-	691,751,161	-	589,026
Share buyback[2]	-	(25,702,940)	-	(34,160)
Share consolidation 1000:1[3]	-	(1,953,069,031)	-	-
Share split[4]	6,044,950	-	-	-
Balance at end of year	**8,000,000**	**1,955,050**	**1,942,421**	**1,942,421**

[1] During the 2015 year an entity associated with Matthew Madsen (Managing Director of GCL) was issued 691,751,161 shares at a value of $589,026 being $0.000851 per share. This was as part of the consideration for the acquisition of Madsen Finance Pty Ltd (now GARDA Finance Pty Ltd).
[2] On 2 December 2014 25,702,940 shares were bought back at a price of $0.001329.
[3] Subsequent to the buyback on 3 December 2014 a 1,000 to 1 share consolidation occurred.
[4] On 11 July 2016 16,030,000 stapled securities were issued as part of the Group's IPO, resulting in a current total issued capital of 24,030,000 stapled securities.

Ordinary Shares

All ordinary shares are fully paid.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and meet external capital requirements such as its Australian financial services licence.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. The board's policy is to maintain a strong capital base so as to ensure compliance with the requirements of its Australian financial services licence AFSL and the Corporations Act 2001.

The Company is required under the terms of its AFSL to meet the base level financial requirements. That is, the licensee must:

a. be able to pay all its debts as and when they become due and payable; and

b. either:

   (i) have total assets that exceed total liabilities as shown in the licensee's most recent balance sheet lodged with ASIC and have no reason to suspect that the licensee's total assets would currently not exceed its total liabilities; or

   (ii) have adjusted assets that exceed adjusted liabilities calculated at the balance date shown in the licensee's most recent balance sheet lodged with ASIC and have no reason to suspect that the licensee's adjusted assets would currently not exceed its adjusted liabilities.

Under the Corporations Act 2001, GCL as a responsible entity must also meet minimum net tangible asset cash needs requirements. GARDA Capital Limited complies with all of these requirements.

NOTE 16 - CONTRIBUTED EQUITY CONT.

The board and management effectively manage the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders, if any, and share issues.

The Group monitors capital on the combination of a number of factors. These include:

a. AFSL requirements;

b. responsible entity requirements under the Corporations Act 2001; and

c. cash flow requirements.

NOTE 17 - FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from related parties, investments in unit trusts, bank loans and shareholder loans.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	NOTE	2016 $	2015 $
Financial assets			
Cash and cash equivalents	25	1,678,525	2,426,668
Trade and other receivables	7	2,844,006	2,438,245
Financial assets	10	10,254,828	10,004,824
Total financial assets		**14,777,359**	**14,869,737**
Financial liabilities			
Trade and other payables	12	695,369	665,839
Interest bearing loans	13	4,708,458	4,229,643
Financial liability held at fair value through profit and loss	14	9,600,000	9,600,000
Total financial liabilities		**15,003,827**	**14,495,482**

Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the board of directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations. The company does not have any derivative instruments at 30 June 2016.

The board and senior executives of the Group meet on a regular basis to analyse financial risk exposure. The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects of financial performance.

Specific Financial Risk Exposures and Management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk relating to interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure 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.

NOTE 17 - FINANCIAL RISK MANAGEMENT CONT.

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

(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 Group incurring a financial loss. This usually occurs when trade and other receivables fail to settle their obligations owing to the Group.

Credit risk is reviewed regularly by the board of GCL. Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the regular monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 30 days from the date of invoice.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating. Where the Group is unable to ascertain a satisfactory credit risk profile in relations to a customer or counterparty, the risk may be further managed through obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of default. For details on collateral held on receivables refer to note 7.

The credit quality of cash and cash equivalents is considered strong. The counterparty to these financial assets is large financial institutions with strong credit ratings. Credit risk related to balances with banks is managed by management in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's (S&P) rating of at least AA-. All cash and cash equivalents are currently with AA- rated banks.

Credit risk exposures

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. They are summarised below:

	NOTE	2016 $	2015 $
Cash and cash equivalents	25	1,678,525	2,426,668
Trade and other receivables	7	2,844,006	2,438,245
		4,522,531	**4,864,913**

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and detailed below and the loan provided to Parkes Property Company Pty Ltd of $2,000,000. The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon.

Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

NOTE 17 - FINANCIAL RISK MANAGEMENT CONT.

AGEING OF RECEIVABLES	2016 $	2015 $
Not past due	2,810,408	2,434,317
Past due 31-60 days	9,035	-
Past due >60 days	24,563	3,928
Impaired	-	-
	2,844,006	**2,438,245**

(b) Liquidity risk

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

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

The Group did not have any financing facilities available at balance date.

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:

	NOTE	2016 $	2015 $
Less than one year			
Trade and other payables	12	695,369	665,839
Financial liability held at fair value through profit or loss	14	9,600,000	1,250,000
Interest bearing loans	13	1,500,000	250,000
Interest on loans		179,470	22,883
		11,974,839	**2,188,722**
Between one and five years			
Financial liability held at fair value through profit or loss	14	-	8,350,000
Interest bearing loans:			
Shareholder loan	13	3,208,458	3,179,643
Related party loan	13	-	250,000
Unsecured loan	13	-	550,000
Interest on loans		422,472	915,595
		3,630,930	**13,245,238**

NOTE 17 - FINANCIAL RISK MANAGEMENT CONT.

(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

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments which primarily expose the Group to interest rate risk are cash equivalents as all borrowings have fixed interest rates.

FLOATING RATE INSTRUMENTS	2016 $	2015 $
Cash and cash equivalents	1,678,525	2,426,668
	1,678,525	**2,426,668**

Interest rate risk is managed by constant monitoring of interest rates.

Interest rates over the 12 month period were analysed and sensitivity determined to show the effect on profit and equity if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date, namely variable rate cash holdings and borrowings.

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

JUDGMENTS OF REASONABLY POSSIBLE MOVEMENTS:	PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2016 $	2015 $	2016 $	2015 $
+1.00% (100 basis points)	16,785	24,267	16,785	24,267
-1.00% (100 basis points)	(16,785)	(24,267)	(16,785)	(24,267)

Price Risk

Price risk is the risk that the value of investments will fluctuate because of changes in market prices (other than those arising from interest rate and currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Any investment and borrowing decisions must be approved by the board. To limit its price risk, the Board makes investment and borrowing decisions on advice from professional advisors.

The financial instruments which primarily expose the Group to price risk are financial assets held at fair value through profit or loss and financial liabilities held at fair value through profit or loss.

FLOATING RATE INSTRUMENTS	2016 $	2015 $
Financial assets held at fair value through profit or loss	10,254,828	10,004,704
Financial liabilities held at fair value through profit or loss	(9,600,000)	(9,600,000)

NOTE 17 - FINANCIAL RISK MANAGEMENT CONT.

At 30 June 2016, if unit price had moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

JUDGMENTS OF REASONABLY POSSIBLE MOVEMENTS:	PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2016 $	2015 $	2016 $	2015 $
+1.00% (100 basis points)	102,548	100,047	102,548	100,047
-1.00% (100 basis points)	(102,548)	(100,047)	(102,548)	(100,047)

(d) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

NOTE 18 - FAIR VALUE MEASUREMENT

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

- Financial liabilities held at fair value through profit or loss; and
- Available for sale financial asset.

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.

Due to their short-term nature the net fair values of financial assets and liabilities approximate their carrying value as disclosed in the statement of financial position. No financial assets or liabilities are readily traded on organised markets in standardised form.

	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	LEVEL 4 $
30 June 2016				
Assets				
Financial assets held at fair value through profit or loss	10,254,828	-	-	10,254,828
	10,254,828	**-**	**-**	**10,254,828**
Liabilities				
Financial liabilities held at fair value through profit or loss	-	-	9,600,000	9,600,000
	-	**-**	**9,600,000**	**9,600,000**
30 June 2015				
Assets				
Financial assets held at fair value through profit or loss	10,004,704	-	120	10,004,824
	10,004,704	**-**	**120**	**10,004,824**
Liabilities				
Financial liabilities held at fair value through profit or loss	-	-	9,600,000	9,600,000
	-	**-**	**9,600,000**	**9,600,000**

NOTE 18 - FAIR VALUE MEASUREMENT CONT.

Disclosed fair values

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

The fair value of financial assets and financial liabilities held at fair value through profit or loss as disclosed in note 10 and 14 were determined by reference to share price in an active market (Level 1).

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.

NOTE 19 - RELATED PARTY TRANSACTIONS

The related parties that exist are key management personnel, entities which GARDA Capital Limited acts as the responsible entity for and other related parties which includes entities over which key management personnel have significant influence over.

Key management personnel compensation

Key management personnel receive compensation in the form of short term employee benefits, post-employment benefits, long-term benefits, termination benefits and share based payments.

The aggregate remuneration paid to Key Management Personnel of the Group is set out below:

	2016 $	2015 $
Amounts receivable		
Short-term benefits	1,130,004	951,840
Post-employment benefits	41,707	34,751
Long-term benefits	2,113	1,489
Termination benefits	-	-
Share based payments	-	-
	1,173,824	**988,080**

NOTE 19 - RELATED PARTY TRANSACTIONS CONT.

Entities for which GARDA Capital Limited is the responsible entity

Billings are made to the funds and trusts that GARDA Capital Limited acts as the responsible entity for on an arm's length basis. Repayment terms are on normal terms and conditions being payment within 30 days with no interest being charged. Transactions between related parties are on normal terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2016 $	2015 $
Amounts receivable		
Trade and other receivables	153,664	203,683
	153,664	**203,683**

Transactions with related parties		
Responsible entity management and administration fees	1,002,532	1,061,908
Property and facility management fees	645,650	729,992
Facility maintenance and project charges	202,668	232,171
Project management fees	96,399	159,511
Real estate commission	-	326,500
Leasing commissions	183,613	340,823
Reimbursement of expenses incurred on behalf of the funds	119,978	195,962
Recovery of professional expenses	118,125	260,623
Registry costs	16,500	81,000
Capital works fee	122,797	85,295
Asset sale fee	-	267,000
Procurement fees	-	423,023
Trail fees	-	172,800
Investment income	900,679	223
	3,408,941	**4,336,831**

The Group recovered bad debts from the funds that it acts as responsible entity during the year of $Nil (2015: $204,746). Of the bad debts recovered, in 2015, $200,000 represents the transfer of the Townsville site to GCL from the Opus Development Fund 1. This amount was based on an independent valuation of the property.

NOTE 19 - RELATED PARTY TRANSACTIONS CONT.

Registered charges

In its capacity as responsible entity the Group has entered into a number of registered charges in relation to borrowings of the funds. The liability in relation to these charges is limited and enforceable to the extent to which it can be satisfied out of the property of the scheme to which the charge relates.

Other related parties

Hallett Legal Pty Ltd, a law firm in which Mark Hallett is a director, provided legal services to the Group during the year. Fees of $7,408 (2015: $24,389) were paid by the Group for these services. These transactions were entered into on normal commercial terms. As at 30 June 2016 the Group owed $1,682 (2015: $Nil) to Hallett Legal Pty Ltd.

As at 30 June 2016, loan facilities exist with M3SIT Pty Ltd as trustee for the M3 Solutions Investment Trust, being a major shareholder in the company, and Mr Hallett also being a director of M3SIT Pty Ltd. The amount outstanding under the secured facility at 30 June 2016 was $3,293,520 (2015: $3,150,000). The terms of this facility and repayments for the year are disclosed in note 13, interest of $111,748 has been paid (2015: $255,025) and a further $143,520 has been capitalised with total interest of $255,268 being charged for the year.

$1,180,000 of the total loan balance of $3,293,520 has been converted to equity on 15 July 2016 as part of the restructure of the Group and listing on the ASX. During the period GARDA Finance Pty Ltd received rent of $10,000 (2015: $7,500) from Madsen Advisory Pty Ltd (related entity of Managing Director – Mathew Madsen) for sublet office space.

During the period a contingent consideration payment of $64,351 was made to a related entity of Matthew Madsen (Managing Director) in relation to the acquisition of GARDA Finance Pty Ltd (formerly Madsen Finance Pty Ltd) in September 2014.

GARDA Property Finance Pty Ltd, being a subsidiary of GCL incorporated during the year, is the vehicle in which the Group currently invests into real estate via debt positions with third parties. Capital has been advanced from a number of parties to fund the Group's initial investment. One of these entities is a related party to Matthew Madsen a director and one is a shareholder of GCL.

Details of the lenders and the amounts are detailed in the table below

LENDER	AMOUNT OWING 30 JUNE 2016 $	AMOUNT OWING 30 JUNE 2015 $	INTEREST PAID 30 JUNE 2016 $	INTEREST PAID 30 JUNE 2015 $
Madsen Nominees Pty Ltd ATF MB & PM Madsen Family Trust	250,000	250,000	25,034	10,479
M3SIT Pty Ltd ATF M3 Solutions Investment Trust	200,000	200,000	20,028	8,329

In May 2015 a loan was entered into by GARDA TSV Unit Trust, a subsidiary of GCL, with MB & PM Madsen Investments Pty Ltd for $250,000. This loan was sought to fund remedial works at the property acquired in Townsville. A second tranche of $250,000 has been advanced during the year resulting in a balance of $500,000 as at 30 June 2016.

This loan has since been repaid out of working capital after balance date.

GARDA REIT Holdings Unit Trust, a subsidiary of GCL, was incorporated to hold the units in GARDA Diversified Property Fund (**GDF**). The acquisition of the units in GARDA Diversified Property Fund was funded via a number of loans as detailed in the following table. Interest is payable at a rate equivalent to the respective annual distributions from GDF.

NOTE 19 - RELATED PARTY TRANSACTIONS CONT.

LENDER	AMOUNT OWING 30 JUNE 2016 $	AMOUNT OWING 30 JUNE 2015 $	INTEREST PAID 30 JUNE 2016 $	INTEREST PAID 30 JUNE 2015 $
MB & PM Madsen Investments Pty Ltd	666,667	666,667	45,000	-
MB & PM Madsen ATF MB & PM Madsen Superfund	266,666	266,666	18,000	-
M3SIT Pty Ltd ATF M3 Solutions Investment Trust	7,416,667	7,416,667	500,625	-
M3SIT Pty Ltd ATF M3 Solutions Investment Trust	1,250,000	1,250,000	84,375	-

Interest paid relates to three of the quarterly payments. Interest for the June 2016 quarter of $216,000 was owing at balance date.

As part of the restructure of the Group and listing on the ASX, on 15 July 2016, $7,350,000 of the total loan balance of $9,600,000 was converted to equity whilst on 19 July 2016, $2,430,000 was repaid in with funds raised from the IPO.

NOTE - 20 BUSINESS COMBINATION

On 25 September 2014, GARDA Capital Limited acquired 100% of the issued capital of GARDA Finance Pty Ltd (formerly Madsen Finance Pty Ltd) for total consideration of $1,104,265, split by $450,888 cash consideration, a scrip issue (shares in GARDA Capital Limited) valued at $589,026, and a contingent consideration of $64,351. The cash consideration was paid on completion during 2015 with a further $64,351 paid as a deferred consideration in June 2016. Goodwill of $641,882 was recognised on acquisition.

As at 30 June 2016, there have been no changes to the fair value of assets and liabilities assumed at the date of acquisition except for goodwill which has been impaired by $135,000. Refer note 11 for further details.

NOTE 21 - AUDITOR'S REMUNERATION

	2016 $	2015 $
Remuneration of the auditor for:		
Audit and review of the financial report	60,000	57,807
Compliance audit	-	1,600
Other services paid to BDO:		
Taxation services	35,050	46,305
Advisory services	21,500	22,861
Other	-	3,525
	116,550	**132,098**

NOTE 22 - COMMITMENTS

	2016 $	2015 $
Operating leases		
Future minimum lease payments payable		
Within one year	252,110	242,998
One year to five years	809,870	1,061,981
Later than five years	-	-
	1,061,980	**1,304,979**

NOTE 23 - CONTINGENT ASSETS AND LIABILITIES

There are no material contingent assets and liabilities as at 30 June 2016.

NOTE 24 - PARENT ENTITY INFORMATION

The Parent Entity of the Group is GARDA Capital Limited.

PARENT ENTITY FINANCIAL INFORMATION	2016 $	2015 $
ASSETS		
Current assets	3,397,285	4,133,875
Non-current assets	1,646,126	1,442,674
Total assets	5,043,411	5,576,549
LIABILITIES		
Current liabilities	574,199	1,197,228
Non-current liabilities	3,208,458	2,979,643
Total liabilities	3,782,657	4,176,871
Net assets	**1,260,754**	**1,399,678**
EQUITY		
Contributed equity	1,942,421	1,942,421
Retained earnings	(681,667)	(542,743)
Total equity	1,260,754	1,399,678
Profit/(loss) after income tax	(138,923)	(740,569)
Other comprehensive income	-	-
Total comprehensive income	**(138,923)**	**740,569**

NOTE 24 - PARENT ENTITY INFORMATION CONT.

CONTROLLED ENTITIES OF THE PARENT ENTITY	PERCENTAGE OWNED 2016 %	PERCENTAGE OWNED 2015 %	COUNTRY OF INCORPORATION
GARDA Property Services Pty Ltd	100%	100%	Australia
GARDA Real Estate Services Pty Ltd	100%	100%	Australia
GARDA Facilities Management Pty Ltd	100%	100%	Australia
GARDA Services Pty Ltd	100%	100%	Australia
GARDA Funds Management Limited	100%	100%	Australia
GARDA Finance Pty Ltd	100%	100%	Australia
GARDA TSV Pty Ltd ATF GCL TSV Unit Trust	100%	100%	Australia
GARDA Property Finance Pty Ltd	100%	100%	Australia
GARDA REIT Holdings Unit Trust	100%	100%	Australia

Contingent Liabilities

Refer to note 23 for details of the contingent liabilities of the parent.

NOTE 25 - CASH FLOW INFORMATION

	2016 $	2015 $
Reconciliation of cash flow from operations with profit/(loss)		
Profit	113,570	483,510
Non-cash items in profit		
Impairment of receivables	3,630	104,536
Impairment of intangible assets	214,061	-
Profit on disposal of assets	-	(2,100)
Amortisation of borrowing costs	85,295	84,305
Capitalisation of borrowing costs	-	(4,662)
Depreciation	22,467	22,470
Amortisation of intangibles	84,171	266,277
Capitalisation of interest expense	143,526	-
Fair value (gain)/loss on financial assets held fair value through profit or loss	(250,118)	7,642
Fair value gain on investment properties	(498,556)	-

NOTE 25 - CASH FLOW INFORMATION CONT.

	2016 $	2015 $
Movements in assets and liabilities		
Trade and other receivables	(173,706)	125,970
Other assets	-	(3,024)
Provisions	(441)	22,658
Provision for income tax	(104,627)	290,989
Deferred tax balances	97,722	34,592
Trade and other payables	93,285	(301,884)
Deferred consideration on acquisition	-	(64,351)
	(169,721)	**1,066,928**
Reconciliation to cash at the end of the year		
Cash at bank	1,678,525	2,426,668

Cash at bank includes $146,217 (2015: $639,700) in funds that are held to cover the estimated windup costs of trusts for which GARDA Capital Limited is the responsible entity.

During the year there has been a decrease in cash of $1,000,000 as a result of a transfer of funds in June 2016 for the payment of Magnum Fund creditors. This amount had been held in Group cash account with an offsetting provision on the balance sheet which has now been removed.

NOTE 26 - EARNINGS PER SHARE

	2016 $	2015 $
Profit attributable to the unitholders of GARDA Capital Limited:		
Profit from continuing operations	113,570	483,510
Basic and diluted earnings per share (cents per share) for continuing operations	1.4	6.6
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	8,000,000	7,377,411

NOTE 27 - EVENTS AFTER THE REPORTING PERIOD

Following the successful capital raising as part of the Group's IPO, on 13 July 2016, GARDA Capital Group was admitted to the official list of the Australian Securities Exchange (ASX) and on 14 July 2016, GARDA Capital Group began trading on the ASX. The listed GARDA Capital Group is a stapled security structure comprising GARDA Capital Limited and the GARDA Capital Trust, and their respective subsidiaries.

As part of the IPO and Group restructure, GARDA Capital Group issued 16.03 million GARDA stapled securities at an offer price of $1.00 per GARDA stapled security. The offer comprised of a general offer raising $6.68 million GARDA stapled securities to both new investors and existing investors and a conversion offer of $9.35 million whereby existing Group loans was converted into GARDA stapled securities at an offer price of $1.00 per GARDA stapled security. The market capitalisation of the GARDA Capital Group at the offer price of $1.00 was $24.03 million.

NOTE 27 - EVENTS AFTER THE REPORTING PERIOD CONT.

All steps as part of the Group's restructure were completed by 19 July 2016, which included $2.43 million of funds raised under the IPO used to repay debt.

Further to this, on 20 July 2016, $0.5 million of Group debt was repaid from working capital, so that the only Group debt remaining at the time of signing this report was the capital adequacy loan of approximately $2 million which is subject to ASIC deed of subordination.

There have been no other matters or circumstances that have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial periods.

NOTE 28 - SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the Board which is on a Group performance basis.

All significant operating decisions are based upon analysis of the Group as one segment, being an integrated real estate business. The financial results from the segment are equivalent to the financial statements of the Group as a whole.

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CORPORATE GOVERNANCE STATEMENT - YEAR ENDED 30 JUNE 2016

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

The GARDA Capital Group 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, to take into account the ASX listing of GCM.

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

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

The 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 strives to meet the highest standards of Corporate Governance, but recognises that it is also crucial that the governance framework of the GARDA Capital Group reflects the current size, operations and industry in which GCM and its related entities operates.

The GARDA Capital Group 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 ability of the GARDA Capital Group to achieve the highest standards of Corporate Governance, whilst at the same time ensuring that GCM is able to achieve the expectations of its securityholders and other stakeholders.

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EQUITY SECURITY HOLDER 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:

RANGE	SECURITIES	%	NO. OF HOLDERS
100,001 and Over	20,265,357	84.33	18
50,001 to 100,000	608,772	2.53	7
10,001 to 50,000	1,807,282	7.52	74
5,001 to 10,000	743,555	3.09	89
1,001 to 5,000	567,115	2.36	172
1 to 1,000	37,919	0.16	281
Total	**24,030,000**	**100.00**	**641**
Unmarketable Parcels	25,232	0.21	266

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
M3SIT PTY LTD	6,985,341	29.07
MADSEN NOMINEES PTY LTD	4,596,849	19.13
HGT INVESTMENTS PTY LTD	2,413,000	10.04
M3SIT PTY LTD	1,294,848	5.39
JJG EQUITIES PTY LTD	1,000,000	4.16
MSW SERVICES PTY LTD	875,000	3.64
ARDNAW PTY LTD	625,000	2.60
TSPAN PTY LTD	315,000	1.31
HALLETT S/F PTY LTD	301,661	1.26
W W B INVESTMENTS PTY LTD	300,000	1.25
MR MATTHEW BRADLEY MADSEN & MRS PETA MADSEN	266,666	1.11
GREENWICH PROSPERITY PTY LTD	266,661	1.11
PERRINS RAP PTY LTD	250,000	1.04
J B HOLDINGS PTY LTD	200,000	0.83
TRUEBELL CAPITAL PTY LTD	175,000	0.73

EQUITY SECURITY HOLDER INFORMATION CONT.

NAME	NUMBER HELD	PERCENTAGE OF ISSUED (%) SHARES
MR DOUGAL MALCOLM HENDERSON	150,000	0.62
MR LACHLAN DAVIDSON	133,331	0.55
BLIND WELFARE PTY LTD	117,000	0.49
MR KEVIN HENRY BROADBENT & MRS PAMELA JILL BROADBENT	100,000	0.42
LANABRAM PTY LTD	100,000	0.42
MORBRIDE PTY LTD	100,000	0.42
SWINHOE DOHERTY SUPERANNUATION FUND PTY LTD	90,000	0.37
Total	**20,655,357**	**85.96**
Balance of register	**3,374,643**	**14.04**
Grand total	**24,030,000**	**100.00**

C. SUBSTANTIAL HOLDERS

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

ESTIMATED BENEFICIAL HOLDINGS AS AT 31 JULY 2016	NUMBER HELD	PERCENTAGE
M3SIT PTY LTD	6,985,341	29.07
MADSEN NOMINEES PTY LTD	4,596,849	19.13
HGT INVESTMENTS PTY LTD	2,413,000	10.04
M3SIT PTY LTD	1,294,848	5.39
	15,290,038	**63.63**

D. VOTING RIGHTS

Refer to note 16 for voting rights attached to ordinary shares.

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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

Web: 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 Company is listed on the Australian Securities Exchange Limited (ASX: GCM)

ACN: 095 039 366
AFSL: 246714

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DIRECTORS' DECLARATION

The directors of GARDA Capital Limited ('Consolidated Entity') declare that:

1. The attached financial statements and notes thereto set out on pages 17-54 comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements and give a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;

2. The Consolidated Entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards;

3. In the director's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors of GARDA Capital Limited 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

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INDEPENDENT AUDITOR'S REPORT

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Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of GARDA Capital Limited

Report on the Financial Report

We have audited the accompanying financial report of GARDA Capital Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial State*ments, 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 company'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 company'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.

INDEPENDENT AUDITOR'S REPORT CONT.

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, 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 Capital Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity'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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of GARDA Capital Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

P A Gallagher
Director

Brisbane, 29 August 2016

GARDA
CAPITAL GROUP