



GARDA CAPITAL LIMITED

ABN 53 095 039 366

AND ITS CONTROLLED ENTITIES

AND GARDA CAPITAL TRUST

ABN 56 488 615 248

ARSN 150 164 720

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

CORPORATE DIRECTORY

| Company Name | Registrar | Auditor | Stock Exchange Listing |
|--|--|--|---|
| GARDA Capital Group | Link Market Services Limited | BDO Audit Pty Ltd | The Company is listed on the Australian Securities Exchange Limited |
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www.gardacapital.com.au

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by GARDA Capital Limited and GARDA Capital Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The financial statements were approved by the Board of Directors on 23 February 2018.

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01

DIRECTORS' REPORT

The directors of GARDA Capital Limited (**GCL** or the **Company**) and GARDA Funds Management Limited, the responsible entity of GARDA Capital Trust, present their report together with the consolidated financial statements and the auditor's review report thereon for the half year ended 31 December 2017 of both:

- GARDA Capital Limited and its controlled entities and GARDA Capital Trust (**GARDA Capital Group** or **Group**); and
- GARDA Capital Trust (the **Trust**).

GARDA Capital Limited has been deemed the parent entity of GARDA Capital Trust under Australian Accounting Standards and this financial report is prepared on this basis.

DIRECTORS

The following persons were directors of GARDA Capital Limited and GARDA Funds Management Limited during the half year and up to the date of this report:

| | |
|-------------------|--|
| Mr Matthew Madsen | Executive Chairman and Managing Director |
| Mr Mark Hallett | Non-Executive Director |
| Mr Philip Lee | Non-Executive Director |
| Mr Leylan Neep | Executive Director |

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 of the ASX listed GARDA Diversified Property Fund (**GDF**), while other Group entities undertake the related real estate management and leasing for this portfolio. A Group subsidiary, GARDA Funds Management Limited, is the responsible entity of GARDA Capital Trust which is a registered managed investment scheme and is the primary investment vehicle for the GARDA Capital Group.

GARDA Capital Trust currently holds a substantial investment of 18.7 million units in GDF (13.5%). The Trust previously held 10.0 million units, and increased its investment during the period by 8.7 million units through its participation in a GDF entitlement offer in December 2017. The Trust took up its entitlement and acquired additional units through a sub-underwriting agreement.

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.

GARDA Property Finance Pty Ltd is the vehicle in which the GARDA Capital Group currently invests into real estate via debt positions with third parties.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during the financial year that could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial periods.

REVIEW AND RESULTS OF OPERATIONS

The performance of the GARDA Capital Group for the half year, as represented by the results of operations, was as follows:

| | GARDA CAPITAL GROUP CONSOLIDATED | | GARDA CAPITAL TRUST | |
|--------------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S |
| Revenue and other income | 4,018 | 2,551 | 1,337 | 636 |
| Net profit before tax | 2,237 | 834 | 1,286 | 483 |
| Net profit after tax | 1,974 | 1,410 | 1,286 | 483 |

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

The key financial and operating highlights and achievements for the half year ended 31 December 2017 include:

- Net profit after tax of \$2.0 million, an increase of \$0.6 million from the prior half year;
- Earnings per stapled security of 8.2 cents, an increase of 34% or 2.1 cents from the prior half year;
- Increase in assets under management (AUM) to \$295.0 million¹, representing a 26% increase in AUM from 30 June 2017;
- Increasing the Group's investment in GDF by \$10.0 million to now hold 13.5% of issued units, following the GDF entitlement offer in December 2017;
- Obtaining a \$10.0 million loan to fund the Group's increase of its strategic stake in GDF; and
- Strong underlying investment returns from the Group's co-investment in GDF, receiving 4.5 cents per unit and a mark to market value increase of \$0.9 million, during the period.

GARDA CAPITAL GROUP

Revenue and other income of the Group for the half year ended 31 December 2017 was \$4.0 million which is an increase of \$1.4 million compared to \$2.6 million in prior period.

The net profit after tax of the Group for the half year ended 31 December 2017 was \$2.0 million which is an increase of \$0.6 million compared to \$1.4 million in prior year. Profit before tax of \$2.2 million was an increase of \$1.4 million from the prior period, largely due to fair value increment in the units held in GDF (\$0.9 million).

The net asset position as at 31 December 2017 was \$19.7 million which is an increase of \$1.5 million compared to \$18.2 million as at 30 June 2017.

GARDA CAPITAL TRUST

The primary income of the Trust is the distributions it receives from its co-investment in GDF. Distribution income of the Trust for the half year ended 31 December 2017 was \$0.45 million.

Other income of the Trust comprises mark to market adjustments of its investments in GDF of \$0.9 million. The following distributions were paid/payable by the Trust during the period:

| | DATE PAID / PAYABLE | CENTS PER SECURITY | AMOUNT PAID / PAYABLE |
|------------------------|---------------------|--------------------|-----------------------|
| September 2017 quarter | 30 October 2017 | 0.936 | \$0.225 million |
| December 2017 quarter | 25 January 2018 | 0.936 | \$0.225 million |

SUBSEQUENT EVENTS

There are no significant matters or circumstances that have arisen since the end of the financial period 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 periods.

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of directors.



Mr Matthew Madsen

Executive Chairman

23 February 2018

¹ Including properties under construction and current unconditional contract acquisitions.

AUDITOR'S INDEPENDENCE DECLARATION



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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF GARDA CAPITAL LIMITED AND THE DIRECTORS OF GARDA FUNDS MANAGEMENT LIMITED AS RESPONSIBLE ENTITY OF GARDA CAPITAL TRUST

As lead auditor for the review of GARDA Capital Group for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of GARDA Capital Group which comprises both GARDA Capital Limited and the entities it controlled during the period and GARDA Capital Trust.

A handwritten signature in black ink, appearing to read 'T R Mann', with a stylized flourish at the end.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 23 February 2018

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

| | NOTES | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|---|-------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 31 DEC 2017 \$'000'S | 31 DEC 2016 \$'000'S | 31 DEC 2017 \$'000'S | 31 DEC 2016 \$'000'S |
| Revenue | 3(a) | 3,107 | 2,201 | 475 | 486 |
| Other income | 3(b) | 911 | 350 | 862 | 150 |
| Employee benefits expense | | (1,096) | (1,009) | - | - |
| Professional costs | | (102) | (88) | - | (133) |
| Facilities management costs | | (46) | (65) | - | - |
| Depreciation | | (10) | (9) | - | - |
| Amortisation of intangibles | | (41) | (46) | - | - |
| Insurance | | (65) | (64) | - | - |
| Occupancy costs | | (133) | (131) | - | - |
| Finance costs | | (116) | (171) | (33) | - |
| Security based payments expense | | (6) | - | (6) | - |
| Other expenses | | (166) | (134) | (12) | (20) |
| Profit before income tax | | 2,237 | 834 | 1,286 | 483 |
| Income tax (expense)/benefit | 4 | (263) | 576 | - | - |
| Profit after income tax for the half year | | 1,974 | 1,410 | 1,286 | 483 |
| Other comprehensive income for the half year, net of tax | | - | - | - | - |
| Total comprehensive income for the half year | | 1,974 | 1,410 | 1,286 | 483 |
| Total profit and total comprehensive income for the half year attributable to: | | | | | |
| Members of GARDA Capital Limited | | 688 | 780 | - | - |
| Unitholders of GARDA Capital Trust | | 1,286 | 630 | 1,286 | 483 |
| Profit and total comprehensive income for the half year | | 1,974 | 1,410 | 1,286 | 483 |
| Earnings per stapled security: | | | | | |
| Basic and diluted earnings per stapled security (cents) | 5 | 8.2 | 6.1 | n/a | n/a |
| Basic earnings per unit (cents) | 5 | n/a | n/a | 5.4 | 2.1 |

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

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

| | NOTES | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|--|-------|----------------------------|----------------------------|----------------------------|----------------------------|
| | | 31 DEC 2017 \$'000'S | 30 JUN 2017 \$'000'S | 31 DEC 2017 \$'000'S | 30 JUN 2017 \$'000'S |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | 5,731 | 5,947 | 2,819 | 2,780 |
| Trade and other receivables | | 2,791 | 1,942 | 231 | 300 |
| Total current assets | | 8,522 | 7,889 | 3,050 | 3,080 |
| Non-current assets | | | | | |
| Property, plant and equipment | | 64 | 70 | - | - |
| Financial assets | 8 | 22,067 | 11,205 | 22,067 | 11,205 |
| Investment properties | 7 | 1,250 | 1,201 | - | - |
| Intangible assets | | 374 | 415 | - | - |
| Deferred tax asset | | 80 | 343 | - | - |
| Total non-current assets | | 23,835 | 13,234 | 22,067 | 11,205 |
| Total assets | | 32,357 | 21,123 | 25,117 | 14,285 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | | 632 | 797 | 37 | 251 |
| Borrowings | 9 | - | - | 566 | 557 |
| Provisions | | 20 | 20 | 226 | - |
| Total current liabilities | | 652 | 817 | 829 | 808 |
| Non-current liabilities | | | | | |
| Borrowings | 9 | 11,970 | 2,070 | 10,000 | - |
| Provisions | | 18 | 13 | - | - |
| Total non-current liabilities | | 11,988 | 2,083 | 10,000 | - |
| Total liabilities | | 12,640 | 2,900 | 10,829 | 808 |
| Net assets | | 19,717 | 18,223 | 14,288 | 13,477 |
| EQUITY | | | | | |
| Equity attributable to members of the Company | | | | | |
| Contributed equity | 10 | 4,539 | 4,544 | - | - |
| Retained earnings | | 735 | 47 | - | - |
| | | 5,274 | 4,591 | - | - |
| Equity attributable to unitholders of the Trust | | | | | |
| Contributed equity | 10 | 12,832 | 12,863 | 12,832 | 12,863 |
| Security based payments reserve | | 6 | - | 6 | - |
| Retained earnings | | 1,605 | 769 | 1,450 | 614 |
| | | 14,443 | 13,632 | 14,288 | 13,477 |
| Total equity | | 19,717 | 18,223 | 14,288 | 13,477 |

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

| GARDA CAPITAL GROUP | ATTRIBUTABLE TO MEMBERS OF THE COMPANY | | | ATTRIBUTABLE TO UNITHOLDERS OF THE TRUST | | | | TOTAL EQUITY |
|--|--|-------------------|--------------|--|---------------------------------|-------------------|---------------|---------------|
| | CONTRIBUTED EQUITY | RETAINED EARNINGS | TOTAL | CONTRIBUTED EQUITY | SECURITY BASED PAYMENTS RESERVE | RETAINED EARNINGS | TOTAL | |
| | \$'000'S | \$'000'S | \$'000'S | \$'000'S | \$'000'S | \$'000'S | \$'000'S | |
| Balance at 1 July 2016 | 1,942 | (753) | 1,189 | - | - | - | - | 1,189 |
| Profit for the half year | - | 780 | 780 | - | - | 630 | 630 | 1,410 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive income for the half year | - | 780 | 780 | - | - | 630 | 630 | 1,410 |
| Transactions with owners in their capacity as owners | | | | | | | | |
| Security issue | 2,725 | - | 2,725 | 13,305 | - | - | 13,305 | 16,030 |
| Security issue transaction costs | (120) | - | (120) | (442) | - | - | (442) | (562) |
| Distributions paid and payable | - | - | - | - | - | (470) | (470) | (470) |
| Total transaction with owners in their capacity as owners | 2,605 | - | 2,605 | 12,863 | - | (470) | 12,393 | 14,998 |
| Balance at 31 December 2016 | 4,547 | 27 | 4,574 | 12,863 | - | 160 | 13,023 | 17,597 |

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

| | | | | | | | | |
|--|--------------|------------|--------------|---------------|----------|--------------|---------------|---------------|
| Balance at 1 July 2017 | 4,544 | 47 | 4,591 | 12,863 | - | 769 | 13,632 | 18,223 |
| Profit for the half year | - | 688 | 688 | - | - | 1,286 | 1,286 | 1,974 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive income for the half year | - | 688 | 688 | - | - | 1,286 | 1,286 | 1,974 |
| Transactions with owners in their capacity as owners | | | | | | | | |
| Security issue transaction costs | (5) | - | (5) | (31) | - | - | (31) | (36) |
| Issue of employee securities | - | - | - | - | 6 | - | 6 | 6 |
| Distributions paid and payable | - | - | - | - | - | (450) | (450) | (450) |
| Total transaction with owners in their capacity as owners | (5) | - | (5) | (31) | 6 | (450) | (475) | (480) |
| Balance at 31 December 2017 | 4,539 | 735 | 5,274 | 12,832 | 6 | 1,605 | 14,443 | 19,717 |

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

| GARDA CAPITAL TRUST | CONTRIBUTED EQUITY | SECURITY BASED PAYMENTS RESERVE | RETAINED EARNINGS | TOTAL |
|--|--------------------|---------------------------------|-------------------|---------------|
| | \$'000'S | \$'000'S | \$'000'S | \$'000'S |
| Balance at 1 July 2016 | - | - | - | - |
| Profit for the half year | - | - | 483 | 483 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the half year | - | - | 483 | 483 |
| Transactions with owners in their capacity as owners | | | | |
| Unit issue | 13,305 | - | - | 13,305 |
| Unit issue transaction costs | (442) | - | - | (442) |
| Distributions paid and payable | - | - | (470) | (470) |
| Total transaction with owners in their capacity as owners | 12,863 | - | (470) | 12,393 |
| Balance at 31 December 2016 | 12,863 | - | 13 | 12,876 |
| Balance at 1 July 2017 | 12,863 | - | 614 | 13,477 |
| Profit for the half year | - | - | 1,286 | 1,286 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the half year | - | - | 1,286 | 1,286 |
| Transactions with owners in their capacity as owners | | | | |
| Unit issue transaction costs | (31) | - | - | (31) |
| Security based payments reserve | - | 6 | - | 6 |
| Distributions paid and payable | - | - | (450) | (450) |
| Total transaction with owners in their capacity as owners | (31) | 6 | (450) | (475) |
| Balance at 31 December 2017 | 12,832 | 6 | 1,450 | 14,288 |

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

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STATEMENTS OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

| | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 31 DEC 2017 \$'000'S | 31 DEC 2016 \$'000'S | 31 DEC 2017 \$'000'S | 31 DEC 2016 \$'000'S |
| Cash flows from operating activities | | | | |
| Cash receipts from customers | 2,290 | 1,952 | - | - |
| Cash payments to suppliers and employees | (1,840) | (2,033) | (2) | (2) |
| Interest received | 87 | 85 | 23 | 15 |
| Distributions received | 460 | 460 | 460 | 235 |
| Interest paid | (217) | (397) | - | - |
| Income tax paid | - | (252) | - | - |
| GST paid | (182) | (24) | 18 | - |
| Net cash inflows/(outflows) from operating activities | 598 | (209) | 499 | 248 |
| Cash flows from investing activities | | | | |
| Payments for office equipment additions | (5) | (15) | - | - |
| Payments for acquisition of financial assets | (10,000) | - | (10,000) | - |
| Wind up expenses paid | - | (87) | - | - |
| Loan advances to external parties | (349) | - | - | - |
| Repayment of loan receivable from external parties | - | 2,000 | - | - |
| Net cash inflows/(outflows) from investing activities | (10,354) | 1,898 | (10,000) | - |
| Cash flows from financing activities | | | | |
| Proceeds from secured syndicate borrowings | 10,000 | - | 10,000 | - |
| Repayment of unsecured borrowings | - | (500) | - | - |
| Repayment of securityholder borrowings | - | (2,430) | - | - |
| Proceeds from issue of securities | - | 6,680 | - | 2,750 |
| Payment of security issue costs | - | (374) | - | - |
| Distributions paid | (460) | (232) | (460) | (232) |
| Net cash inflows from financing activities | 9,540 | 3,144 | 9,540 | 2,518 |
| Net increase/(decrease) in cash held | (216) | 4,833 | 39 | 2,766 |
| Cash at beginning of the half year | 5,947 | 1,678 | 2,780 | - |
| Cash at end of the half year | 5,731 | 6,511 | 2,819 | 2,766 |

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

NOTES TO THE INTERIM FINANCIAL REPORT

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Group Structure

GARDA Capital Group is listed on the Australian Securities Exchange (ASX). The listed GARDA Capital Group is a stapled security structure comprising GARDA Capital Limited (**Company** or **GCL**) and the GARDA Capital Trust (**Trust** or **GCT**), and their respective subsidiaries (**GARDA Capital Group** or **Group**). One unit in GARDA Capital Trust is stapled to one share in GARDA Capital Limited and they cannot be traded separately.

The half year financial statements includes separate financial statements for GARDA Capital Group and GARDA Capital Trust as a stand-alone entity. GARDA Capital Limited has been deemed the parent entity of the Trust.

GARDA Capital Group has presented consolidated financial statements in accordance with Class Order 13/1050.

Statement of Compliance

These general purpose financial statements for the half year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the GARDA Capital Group as the full financial statements.

Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made by GARDA Capital Group and GARDA Capital Trust during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Currency and Rounding

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

Basis of Preparation

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

Security based payments expense

The GARDA Capital Group employee security plan (**ESP**) was approved at the Group's 2017 annual general meeting. On 13 November 2017, securities were issued to executive directors and certain senior management personnel and therefore this is the first financial period in which the new accounting policy for measurement and recognition of security based payments expense have been applied.

The cost of equity-settled transactions including loan funded security issues are determined by the fair value at the date when the grant is made, using the Black Scholes option pricing model and is recognised as security based payments expense proportionately over the vesting period with the corresponding increase in security based payments reserve in equity.

No expense is recognised for securities that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting conditions are satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled securities are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

modification that increases the total fair value of the security based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled security is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the security is recognised immediately. This includes any security where non-vesting conditions within the control of either the entity or the employee are not met.

Significant Judgments and Accounting Estimates

The significant judgements made by management in applying Group accounting policies were the same as those applied to the annual financial report for the year ended 30 June 2017.

The key estimates and assumptions applied to the new accounting policies for the half year ended 31 December 2017 did not have a significant risk of causing material misstatement on the amounts recognised in the financial statements.

New Accounting Standards

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

New accounting standards and interpretations that are not mandatory for the interim reporting period have not been early adopted. The Group has not yet performed its assessment of the potential impacts of the new accounting standards.

NOTE 2 DISTRIBUTIONS PAID AND PAYABLE TO SECURITY HOLDERS

| | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S |
|--|---------------------------------|---------------------------------|
| Distributions paid or provided for by the Trust during the period were: | | |
| Quarter ended 30 September 2017, 0.936 cents per unit (2016: 0.978 cents) | 225 | 235 |
| Quarter ended 31 December 2017, 0.936 cents per unit (2016: 0.978 cents) | 225 | 235 |
| | 450 | 470 |

Distributions declared for the quarter ended 31 December 2017, but not paid until after half year end, have been provided for.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 3 (a) REVENUE

| | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S |
| Operating revenue | | | | |
| Management fees responsible entity | 680 | 583 | - | - |
| Management fees property management | 258 | 285 | - | - |
| Management fees facilities management | 83 | 79 | - | - |
| Projects income | 36 | 70 | - | - |
| Leasing fees | 204 | 72 | - | - |
| Recovery of professional expenses | 356 | 73 | - | - |
| Capital works fee | 216 | 164 | - | - |
| Interest | 183 | 52 | - | - |
| Sub-underwriting and commitment fees | 200 | - | - | - |
| Procurement fees | 226 | 150 | - | - |
| Trail fees | 158 | 160 | - | - |
| | 2,600 | 1,688 | - | - |
| Non-operating revenue | | | | |
| Interest | 46 | 32 | 25 | 16 |
| Distributions received | 450 | 470 | 450 | 470 |
| Sundry Income | 11 | 11 | - | - |
| | 507 | 513 | 475 | 486 |
| Total Revenue | 3,107 | 2,201 | 475 | 486 |

NOTE 3 (b) OTHER INCOME

| | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S |
| Fair value gain on financial assets | 862 | 350 | 862 | 150 |
| Fair value gain on investment properties | 49 | - | - | - |
| Total other income | 911 | 350 | 862 | 150 |
| Total Revenue and Other Income | 4,018 | 2,551 | 1,336 | 636 |

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 4 INCOME TAX

Income tax expense for the half year is \$263,142 with the resulting income tax liability payable to ATO being offset against deferred tax assets recognised for carried forward losses.

Prior half year income tax benefit of \$575,822 arose as a result of the utilisation of available capital losses against capital gains arising during the half year. The capital gains arose as a result of certain capital transactions of the GARDA Capital Group which were completed immediately following the listing of the Group in July 2016.

NOTE 5 EARNINGS PER STAPLED SECURITY

| | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S |
| Earnings used in calculating earnings per stapled security | | | | |
| Net profit after tax | 1,974 | 1,410 | 1,286 | 483 |
| Basic and dilutive earnings | | | | |
| Weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security | 24,030,000 | 23,158,804 | 24,030,000 | 23,158,804 |
| Basic and dilutive earnings per stapled security/unit (cents per security) | 8.2 | 6.1 | 5.4 | 2.1 |

On 13 November 2017, 1,200,000 securities were granted to employees under the GARDA Capital Group employee securities plan. These ESP securities are considered anti-dilutive and therefore do not impact the weighted average number of ordinary securities used in the calculation of earnings per security.

Further information on ESP is provided in note 6.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 6 EMPLOYEE SECURITY PLAN EXPENSE

The establishment of the GARDA Capital Group employee security plan was approved by securityholders at the Group's 2017 annual general meeting. The ESP is designed to provide long-term incentives to employees including executive directors to deliver long-term securityholder value, alignment with securityholder interests, market competitiveness, recognition of individual performance and experience and recognition for Group performance.

Participation in the ESP is at the Board's discretion and no individual has a contractual right to participate in the ESP or to receive any guaranteed benefits. The vesting of securities occurs over a two to three year period, and subject to the participant remaining an employee of the Group.

The employees including executive directors who participated in the issue of securities under the ESP during the half year were provided limited recourse loans on the grant date of an amount equal to the application price of the securities being \$1.00 which was the equal to the market price per security on grant date.

Interest on the limited recourse loan for any particular year is equal to the Australian Tax Office FBT benchmark interest rate. The limited recourse loan for the participants has a term of eight years. The overall ESP terms and conditions is at the discretion of the Board.

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

| | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S |
| Securities issued under employee security plan | 6 | - | 6 | - |

Set out below are summaries of the securities granted under the ESP:

| | 31 DECEMBER 2017 | | 30 JUNE 2017 | |
|-------------------------------|-------------------------|-----------------------------------|-------------------------|-----------------------------------|
| | NUMBER OF SECURITIES | EXERCISE PRICE PER SECURITY | NUMBER OF SECURITIES | EXERCISE PRICE PER SECURITY |
| As at 1 July 2017 | - | - | - | - |
| Granted during the period | 1,200,000 | \$1.00 | - | - |
| As at 31 December 2017 | 1,200,000 | \$1.00 | - | - |

Securities outstanding at the end of the period have the following vesting date and exercise prices:

| GRANT DATE | VESTING DATE | EXERCISE PRICE | NUMBER OF SECURITIES 31 DECEMBER 2017 | NUMBER OF SECURITIES 30 JUNE 2017 | LIMITED RECOURSE LOAN VALUE 31 DECEMBER 2017 | LIMITED RECOURSE LOAN VALUE 30 JUNE 2017 |
|------------|--------------|----------------|---|---|--|---|
| 13/11/2017 | 13/11/2019 | \$1.00 | 300,000 | - | \$300,000 | - |
| 13/11/2017 | 13/11/2020 | \$1.00 | 900,000 | - | \$900,000 | - |
| | | | 1,200,000 | - | \$1,200,000 | - |

Fair value of securities granted

The assessed fair value at grant date of securities issued during the period ended 31 December 2017 was \$0.11 to \$0.13 per security. The fair value at grant date is determined using Black Scholes option pricing model that takes into account the exercise price, the term of the security, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield, the risk-free interest rate for the term of the security and certain probability assumptions.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 6 EMPLOYEE SECURITY PLAN EXPENSE (CONTINUED)

The model inputs for securities granted during the period ended 31 December 2017 included:

| | 300,000 SECURITIES | 900,000 SECURITIES |
|------------------------------|--------------------|--------------------|
| Grant date | 13 November 2017 | 13 November 2017 |
| Vesting date | 13 November 2019 | 13 November 2020 |
| Exercise price | \$1.00 | \$1.00 |
| Security price at grant date | \$1.00 | \$1.00 |
| Expected volatility | 25% | 25% |
| Distribution yield | 4% | 4% |
| Risk-free interest rate | 2% | 2% |

The expected price volatility is based on the historic average volatility of peer group entities or similar entities compared to the GARDA Capital Group, adjusted for any expected changes to future volatility due to publicly available information.

NOTE 7 INVESTMENT PROPERTIES

| | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|------------------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | 31 DECEMBER 2017 \$'000'S | 30 JUNE 2017 \$'000'S | 31 DECEMBER 2017 \$'000'S | 30 JUNE 2017 \$'000'S |
| Land at Palmer Street, Townsville | 1,250 | 1,201 | - | - |
| Total Investment properties | 1,250 | 1,201 | - | - |
| Movements during the period | | | | |
| Balance at beginning of year | 1,201 | 1,201 | - | - |
| Fair value movement | 49 | - | - | - |
| Balance at end of half year | 1,250 | 1,201 | - | - |

As at 31 December 2017, land was independently valued at \$1,250,000. 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. 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.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 8 FINANCIAL ASSETS

| | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|---|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | 31 DECEMBER 2017 \$'000'S | 30 JUNE 2017 \$'000'S | 31 DECEMBER 2017 \$'000'S | 30 JUNE 2017 \$'000'S |
| Financial assets measured at fair value through profit or loss | | | | |
| Units in GARDA Diversified Property Fund | 22,067 | 11,205 | 22,067 | 11,205 |
| Movements during the half year | | | | |
| Balance at beginning of year | 11,205 | 10,255 | 11,205 | - |
| Acquisition of units in GARDA Diversified Property Fund | 10,000 | - | 10,000 | - |
| Transfers from GARDA REIT Holdings Unit Trust | - | - | - | 10,455 |
| Fair value movement | 862 | 950 | 862 | 750 |
| Balance at end of half year | 22,067 | 11,205 | 22,067 | 11,205 |

In December 2017, GARDA Capital Trust (GCT) acquired a further 8,695,653 units in GARDA Diversified Property Fund (GDF) at \$1.15 totalling \$10.0 million through participation in a GDF entitlement offer, by taking up all its entitlement and acquiring additional units through a sub-underwriting agreement.

A 2.0% sub-underwriting/commitment fee was received by the Group as a result of its participation.

NOTE 9 BORROWINGS

| | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|--|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | 31 DECEMBER 2017 \$'000'S | 30 JUNE 2017 \$'000'S | 31 DECEMBER 2017 \$'000'S | 30 JUNE 2017 \$'000'S |
| Current | | | | |
| Loan from GARDA Capital Limited | - | - | 111 | 102 |
| Loan from GARDA REIT Holdings Unit Trust | - | - | 455 | 455 |
| | - | - | 566 | 557 |
| Non-Current | | | | |
| Securityholder loan (secured) | 1,970 | 2,070 | - | - |
| Syndicate loan (secured) | 10,000 | - | 10,000 | - |
| | 11,970 | 2,070 | 10,000 | - |

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

Securityholder Loan

This loan facility has been advanced to the Group by the major securityholder, M3SIT Pty Ltd as trustee for the M3 Solutions Investment Trust. Interest is payable at 8 per cent per annum, and the current expiry date of the loan is 31 December 2019. Repayment of capitalised interest of \$100,000 was made during the half year.

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

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 9 BORROWINGS (CONTINUED)

Syndicate Loan

This loan facility was advanced to the Group in December 2017 by a syndicate of lenders, some of which are related parties or substantial securityholders in the Group. Interest is payable at 7 per cent per annum, and the current expiry date of the loan is 15 December 2020. The syndicate loan is fully drawn and secured by all property of GARDA Capital Trust. There are no financial covenants imposed.

The Group used the proceeds of the loan to participate in the GARDA Diversified Property Fund entitlement offer by taking up all its entitlement and to acquire additional units through a sub-underwriting agreement. As a result, the Group acquired 8,695,653 units at \$1.15 for \$10.0 million.

NOTE 10 CONTRIBUTED EQUITY

| | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|--|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | 31 DECEMBER 2017 \$'000'S | 30 JUNE 2017 \$'000'S | 31 DECEMBER 2017 \$'000'S | 30 JUNE 2017 \$'000'S |
| Ordinary stapled securities – fully paid | 17,371 | 17,407 | 12,832 | 12,863 |

| HALF YEAR ENDED 31 DECEMBER 2017 | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|----------------------------------|---------------------|----------|---------------------|----------|
| | NUMBER | \$'000'S | NUMBER | \$'000'S |

During the half year the following movements in ordinary issued securities occurred:

Contributed equity attributable to members of the Company

| | | | | |
|----------------------------------|------------|-------|---|---|
| On issue at 1 July 2017 | 24,030,000 | 4,544 | - | - |
| Security issue transaction costs | - | (5) | - | - |
| On issue at 31 December 2017 | 24,030,000 | 4,539 | - | - |

Contributed equity attributable to members of the Trust

| | | | | |
|----------------------------------|------------|--------|------------|--------|
| On issue at 1 July 2017 | 24,030,000 | 12,863 | 24,030,000 | 12,863 |
| Security issue transaction costs | - | (31) | - | (31) |
| On issue at 31 December 2017 | 24,030,000 | 12,832 | 24,030,000 | 12,832 |

Reconciliation of issued capital to ASX securities

There were no movements in the issued capital of the Group during the half year for financial statement purposes. Under the Australian Accounting Standards, securities issued under the GARDA Capital Group employee security plan are required to be accounted for as options and therefore are excluded from total issued capital, until such time as securities have vested.

Total securities issued under the ESP during the half year was 1,200,000 and therefore the total securities issued on the ASX is 25,230,000 compared to the total issued capital for financial statement purposes of 24,030,000.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 10 CONTRIBUTED EQUITY (CONTINUED)

| YEAR ENDED 30 JUNE 2017 | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|---|---------------------|----------|---------------------|----------|
| | NUMBER | \$'000'S | NUMBER | \$'000'S |
| During the year the following movements in ordinary issued securities occurred: | | | | |
| Contributed equity attributable to members of the Company | | | | |
| On issue at 1 July 2016 | 8,000,000 | 1,943 | - | - |
| Security issue * | 16,030,000 | 2,725 | - | - |
| Security issue transaction costs | - | (124) | - | - |
| On issue at 30 June 2017 | 24,030,000 | 4,544 | - | - |
| Contributed equity attributable to members of the Trust | | | | |
| On issue at 1 July 2016 | - | - | - | - |
| Bonus security issue** | 8,000,000 | - | 8,000,000 | - |
| Security issue * | 16,030,000 | 13,305 | 16,030,000 | 13,305 |
| Security issue transaction costs | - | (442) | - | (442) |
| On issue at 30 June 2017 | 24,030,000 | 12,863 | 24,030,000 | 12,863 |

* 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.

** Relates to bonus issue of units prior to stapling, issued at nil consideration to members of the Trust.

NOTE 11 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 receive compensation in the form of short term employee benefits, post-employment benefits and security based payments.

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.

| | GARDA CAPITAL GROUP | | GARDA CAPITAL TRUST | |
|--|---------------------------|-----------------------|---------------------------|-----------------------|
| | 31 DECEMBER 2017 \$ | 30 JUNE 2017 \$ | 31 DECEMBER 2017 \$ | 30 JUNE 2017 \$ |

Amounts receivable

| | | | | |
|-----------------------------|---------|---------|---|---|
| Trade and other receivables | 521,312 | 270,054 | - | - |
|-----------------------------|---------|---------|---|---|

| TRANSACTIONS WITH RELATED PARTIES | 31 DECEMBER 2017 \$ | 31 DECEMBER 2016 \$ | 31 DECEMBER 2017 \$ | 31 DECEMBER 2016 \$ |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Responsible entity fees | 679,841 | 583,077 | - | - |
| Property management fees | 258,063 | 285,426 | - | - |
| Facility management fees | 81,014 | 78,654 | - | - |
| Project management fees | 35,714 | 70,041 | - | - |
| Leasing commissions | 204,071 | 72,037 | - | - |
| Reimbursement of expenses incurred on behalf of the fund | 77,495 | 106,064 | - | - |
| Recovery of professional expenses | 356,052 | 36,644 | - | - |
| Capital works fee | 215,760 | 163,615 | - | - |
| Investment income | 450,212 | 470,222 | 450,212 | 470,222 |
| | 2,358,222 | 1,865,780 | 450,212 | 470,222 |

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)

Registered charges

In its capacity as responsible entity GARDA Capital Limited has entered into a number of registered charges in relation to borrowings of the trusts/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 GARDA Capital Group during the half year. Fees of \$11,527 (31 December 2016: \$401) were paid for these services. These transactions were entered into on normal commercial terms. As at 31 December 2017 the Group owed \$nil (30 June 2017: \$nil) to Hallett Legal Pty Ltd.

As at 31 December 2017, loan facilities exist with M3SIT Pty Ltd as trustee for the M3 Solutions Investment Trust, being a major securityholder in the company, and Mr Hallett also being a director of M3SIT Pty Ltd. The amount outstanding under the secured facility at 31 December 2017 was \$1,970,000 (30 June 2017: \$2,070,001). Interest of \$182,801 has been paid (2016: \$87,240) during the half year, which included \$100,000 of previously capitalised interest.

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

During the period GARDA Finance Pty Ltd received rent of \$5,000 (2016: \$5,000) from Madsen Advisory Pty Ltd (a related entity of Managing Director – Mathew Madsen) for sublet office space.

During the period \$10.0 million was borrowed to fund the acquisition of a further investment of the Group in GDF. Refer to Note 9 for terms and conditions of this loan. Details of the lenders, who participated and are related parties, and the amounts are detailed in the table below:

| LENDER | AMOUNT OWING 31 DECEMBER 2017 \$ | AMOUNT OWING 30 JUNE 2017 \$ | INTEREST PAID 31 DECEMBER 2017 \$ | INTEREST PAID 31 DECEMBER 2016 \$ |
|--|---|---------------------------------------|--|--|
| M3SIT Pty Ltd as trustee for M3 Solutions Investment Trust | 1,000,000 | - | 3,452 | - |

NOTE 12 FAIR VALUE MEASUREMENT

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

- Financial assets at fair value through profit or loss (FVTPL).
- Investment properties.

There are various methods used in estimating the fair values 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 other 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.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 12 FAIR VALUE MEASUREMENT (CONTINUED)

| | LEVEL 1 \$'000'S | LEVEL 2 \$'000'S | LEVEL 3 \$'000'S | TOTAL \$'000'S |
|--|---------------------|---------------------|---------------------|-------------------|
| 31 December 2017 | | | | |
| Assets | | | | |
| Financial assets held at fair value through profit or loss | 22,067 | - | - | 22,067 |
| Investment property | - | - | 1,250 | 1,250 |
| | 22,067 | - | 1,250 | 23,317 |
| 30 June 2017 | | | | |
| Assets | | | | |
| Financial assets held at fair value through profit or loss | 11,205 | - | - | 11,205 |
| Investment property | - | - | 1,201 | 1,201 |
| | 11,205 | - | 1,201 | 12,406 |

There were no transfers during the period between Level 1 and Level 3 for recurring fair value measurements.

Disclosed fair values

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

The fair value of financial assets held at fair value through profit or loss were determined by reference to security 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.

| DESCRIPTION | VALUATION APPROACH | UNOBSERVABLE INPUTS | RANGE OF INPUTS | RELATIONSHIP BETWEEN UNOBSERVABLE INPUTS AND FAIR VALUE |
|---------------------|----------------------------|-----------------------|--|--|
| Investment property | Direct comparison approach | Rate per square metre | \$600/m ² to \$625/m ² | The higher the rate per square metre, the higher the investment value. |

NOTE 13 SEGMENT REPORTING

Operating segments are distinct business activities from which an entity earns revenues and incurs expenses and the results of which are regularly reviewed by the chief operating decision maker (CODM). GARDA Capital Group has four operating segments which are regularly reviewed by the Executive Chairman and Managing Director, who is the CODM, in order to make decisions about resource allocation and to assess the performance of the GARDA Capital Group.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group reports on the following core business segments:

| CORE OPERATING SEGMENTS | BUSINESS ACTIVITY |
|-----------------------------|---|
| Funds Management | Fund management includes establishment and management of real estate funds, facility management, leasing and project management. |
| Equity Co-Investment | Aligning interest of the Group with underlying fund investors and providing income through distributions and capital growth in equity values. |
| Property Debt Advisory | Arrangement of commercial real estate debt for a range of property investors and developers. |
| Real Estate Debt Investment | Debt investment through direct real estate debt positions. |

The Group's management strategy and measure of performance focus on the returns from these core segments in order to deliver returns and value to securityholders.

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 13 SEGMENT REPORTING (CONTINUED)

Geographical information

All segments operate solely within Australia.

Non-cash and unallocated items

Expenses for the management of the Group on an overall basis and non-cash items including fair value adjustments and security based payments expense are not allocated to core operating segments. These Group wide expenses and non-cash items form part of unallocated revenue and expenses in the reconciliation of segment profit to profit before income tax.

Cash allocated as future investment capital, direct real estate investments (land at Palmer Street, Townsville), tax assets, and other incidental assets and liabilities are not allocated to core operating segments.

Eliminations

The segment results have been presented net of elimination of inter-group transactions.

Segment results for the half year ended 31 December 2017

| | FUNDS MANAGEMENT \$'000'S | EQUITY CO-INVESTMENT \$'000'S | PROPERTY DEBT ADVISORY \$'000'S | REAL ESTATE DEBT INVESTMENT \$'000'S | TOTAL \$'000'S |
|---|---------------------------------|-------------------------------------|--|---|-------------------|
| Segment revenue and other Income | | | | | |
| Responsible entity fees | 680 | - | - | - | 680 |
| Property management fees | 258 | - | - | - | 258 |
| Facilities management fees | 83 | - | - | - | 83 |
| Projects income | 36 | - | - | - | 36 |
| Leasing fee | 204 | - | - | - | 204 |
| Recovery of professional expenses | 356 | - | - | - | 356 |
| Capital works fee | 216 | - | - | - | 216 |
| Procurement fees | - | - | 226 | - | 226 |
| Trail fees | - | - | 158 | - | 158 |
| Sub-underwriting fees | 200 | - | - | - | 200 |
| Interest | 21 | 25 | - | 183 | 229 |
| Distributions | - | 450 | - | - | 450 |
| Other revenue | - | - | 11 | - | 11 |
| Total segment revenue | 2,055 | 475 | 395 | 183 | 3,107 |
| Total segment expense | 320 | 45 | 3 | - | 368 |
| Segment profit | 1,735 | 430 | 392 | 183 | 2,739 |

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 13 SEGMENT REPORTING (CONTINUED)

Segment results for the half year ended 31 December 2016

| | FUNDS MANAGEMENT \$'000'S | EQUITY CO-INVESTMENT \$'000'S | PROPERTY DEBT ADVISORY \$'000'S | REAL ESTATE DEBT INVESTMENT \$'000'S | TOTAL \$'000'S |
|---|---------------------------------|-------------------------------------|--|---|-------------------|
| Segment revenue and other Income | | | | | |
| Responsible entity fees | 583 | - | - | - | 583 |
| Property management fees | 285 | - | - | - | 285 |
| Facilities management fees | 79 | - | - | - | 79 |
| Leasing fee | 72 | - | - | - | 72 |
| Recovery of expenses | 143 | - | - | - | 143 |
| Capital works fee | 164 | - | - | - | 164 |
| Procurement fees | - | - | 150 | - | 150 |
| Trail fees | - | - | 160 | - | 160 |
| Interest | 17 | 15 | - | 52 | 84 |
| Distributions | - | 470 | - | - | 470 |
| Other revenue | - | - | 11 | - | 11 |
| Total segment revenue | 1,343 | 485 | 321 | 52 | 2,201 |
| Total segment expense | 370 | 32 | 5 | 20 | 427 |
| Segment profit | 973 | 453 | 316 | 32 | 1,774 |

Reconciliation of reportable segment revenues and profit before income tax

| | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S |
|--|---------------------------------|---------------------------------|
| Total revenue for reportable segments | 3,107 | 2,201 |
| Unallocated amounts | | |
| Fair value gain on financial assets | 862 | 350 |
| Fair value gain on investment property | 49 | - |
| Total revenue (Note 3) | 4,018 | 2,551 |

Reconciliation of reportable segment profit before income tax to profit before tax

| | 31 DECEMBER 2017 \$'000'S | 31 DECEMBER 2016 \$'000'S |
|--|---------------------------------|---------------------------------|
| Reportable segment profit before income tax | 2,739 | 1,774 |
| Unallocated amounts | | |
| Fair value gain on financial assets | 862 | 350 |
| Fair value gain on investment properties | 49 | - |
| Depreciation and amortisation of intangible assets | (51) | (55) |
| Employee benefit expense | (1,096) | (1,009) |
| Professional costs | (20) | (13) |
| Occupancy costs | (133) | (131) |
| Other expenses | (107) | (82) |
| Employee security plan expense | (6) | - |
| Profit before income tax | 2,237 | 834 |

NOTES TO THE INTERIM FINANCIAL REPORT (CONTINUED)

NOTE 13 SEGMENT REPORTING (CONTINUED)

Segment assets and liabilities as at 31 December 2017

| | FUNDS MANAGEMENT \$'000'S | EQUITY CO-INVESTMENT \$'000'S | PROPERTY DEBT ADVISORY \$'000'S | REAL ESTATE DEBT INVESTMENT \$'000'S | TOTAL \$'000'S |
|---------------------|---------------------------------|-------------------------------------|---------------------------------------|--|-------------------|
| Segment Assets | 2,623 | 22,298 | 97 | 1,830 | 26,848 |
| Segment Liabilities | (2,106) | (10,263) | (6) | - | (12,375) |
| Net Assets | 517 | 12,035 | 91 | 1,830 | 14,473 |

Segment assets and liabilities as at 30 June 2017

| | FUNDS MANAGEMENT \$'000'S | EQUITY CO-INVESTMENT \$'000'S | PROPERTY DEBT ADVISORY \$'000'S | REAL ESTATE DEBT INVESTMENT \$'000'S | TOTAL \$'000'S |
|---------------------|---------------------------------|-------------------------------------|---------------------------------------|--|-------------------|
| Segment Assets | 2,265 | 11,505 | 94 | 1,443 | 15,307 |
| Segment Liabilities | (2,340) | (251) | (7) | - | (2,598) |
| Net Assets | (75) | 11,254 | 87 | 1,443 | 12,709 |

NOTE 14 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or contingent liabilities as at 31 December 2017.

NOTE 15 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There are no significant matters or circumstances that have arisen since the end of the financial period 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 periods.

DIRECTORS' DECLARATION

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

The directors of GARDA Capital Limited and GARDA Funds Management Limited as Responsible Entity for GARDA Capital Trust declare that they are of the opinion that:

- (a) the attached financial statements, comprising the Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and Statements of Cash Flows, and accompanying notes, comply with the *Corporations Act 2001*, Accounting Standard AASB 134 *'Interim Financial Reporting'*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) the attached financial statements and accompanying notes give a true and fair view of the GARDA Capital Group's and the Trust's financial position as at 31 December 2017 and of their performance for the half year ended on that date; and
- (c) there are reasonable grounds to believe that GARDA Capital Group will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolutions of the Boards of Directors of GARDA Capital Limited and GARDA Funds Management Limited made pursuant to section 303(5) of the *Corporations Act 2001*.



Mr Matthew Madsen

Executive Chairman

23 February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of GARDA Capital Group

Report on the Half-Year Financial Report

Conclusion

GARDA Capital Group (the Group) comprises both GARDA Capital Limited ('the parent') and the entities it controlled during the financial year, and GARDA Capital Trust ('the Trust').

We have reviewed the half-year financial report of GARDA Capital Group, which comprises the consolidated statements of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of both GARDA Capital Limited and GARDA Funds Management Limited as Responsible Entity of GARDA Capital Trust.

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

- (i) Giving a true and fair view of the Group and the Trust's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group and the Trust's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard

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AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group and the trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'T R Mann', is written over a faint, light-colored signature line. Above the signature, the letters 'BDO' are written in a smaller, handwritten font.

T R Mann
Director

Brisbane, 23 February 2018

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