


**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**ANNUAL FINANCIAL REPORT INCLUDING FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

This is annexure A of 41 pages referred to in form 388 "Copy of financial statements and reports"



Steven Maarbani

Director

26 March 2021
Sydney

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**DIRECTORS' REPORT
30 June 2020**

The directors of Guardian Securities Limited (the "Responsible Entity"), the Responsible Entity of The Guardian Investment Fund (referred to hereafter as the "Fund"), present their annual report together with the financial statements of the consolidated entity (referred to hereafter as the "Consolidated Entity"), consisting of the unit trust and the special purpose vehicles it controlled for the year ended 30 June 2020, and the auditor's report thereon.

Directors

The following persons were directors of Guardian Securities Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Guy Hasenkam	
Christopher Wilson	(resigned 24 January 2020)
Errol Jackson	(resigned 24 January 2020)
Steven Maarbani	(appointed 21 January 2020)
Craig Hart	(appointed 4 February 2020)
Darren Tasker	(appointed 24 January 2020, resigned 4 February 2020)

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia and was formed mainly to invest in the commercial, industrial, retail and residential property sectors on behalf of the Fund's investors. The Fund invests through special purpose vehicles established for each investment opportunity, each of which form part of the Consolidated Entity.

The Consolidated Entity did not have any employees during the period.

Scheme information

The Fund is a registered managed investment scheme under the Corporations Act 2001. The Fund was registered on 28 February 2014 and will terminate in accordance with the Constitution.

The registered office and principal place of business of the Responsible Entity and the Fund is Unit 2, 34 Florence Street, Teneriffe, QLD 4005.

Review of operations

The net loss from ordinary activities after income tax and before distributions to the investors for the year ended 30 June 2020 amounting to \$993,181 (2019 loss: \$1,673,260). The current year loss is attributable to the recognition of impairment of \$547,733 (2019: \$nil), increase in distributions paid to unitholders as well as expected credit loss of \$2,903,896 (2019: \$358,403) which relates to the Development Income Fund sub-fund, whereby the sub-fund provided funding to various related party SPVs developing property in Queensland.

Scheme assets

At 30 June 2020, the Consolidated Entity had total assets of \$43,882,557 (2019: \$37,513,300), which were primarily invested in preference shares, various residential and commercial development properties in Australia, bank deposits and shares in an unlisted start up company. The Consolidated Entity had 726 investors at (2019: 639) through various classes of units.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**DIRECTORS' REPORT
30 June 2020**

	2020 \$	2019 \$
<i>Responsible entity</i>		
During the year, on 21 January 2020, VentureCrowd Holdings Pty Ltd acquired a majority shareholding of 51% of Guardian Securities Limited, the Responsible Entity for the Consolidated Entity. The remainder of the shares are to be sold to VentureCrowd Holdings Pty Ltd under a put and call option. The following fees were paid to Guardian Securities Limited out of Consolidated Entity's property during the financial year:		
Management fees paid directly by the Consolidated Entity	<u>731,783</u>	<u>573,913</u>

The Responsible Entity and its associates had no funds invested in the Consolidated Entity at balance date.

AASB 16 Leases

The Consolidated Entity has adopted AASB 16 Leases with a date of initial application of 1 July 2019. The adoption of AASB 16 has not resulted in any material impact on the financial performance or position of the Consolidated Entity in either the current or prior financial reporting periods.

The standard has not impacted on the profit and loss.

Distributions

Distributions paid or payable by the Fund since the end of the previous financial year were \$3,134,675 (2019: \$2,553,955).

Investor Funds

The Consolidated Entity received \$9,931,831 (2019: \$13,944,336) of net investor funds during the year. The net balance attributable to investors as at 30 June 2020 is \$42,671,873 (2019: \$36,867,898).

Significant changes in the state of affairs

In the opinion of the Responsible Entity, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the year under review other than as disclosed in the review of operations and principal activities.

Matters subsequent to the end of the financial year

On 16 March 2020 the former investment manager, QB4 Capital Pty Ltd, terminated the management agreement with Guardian Securities Limited in relation to the Fundus Trust No. 1 Sub-Fund and Fundus Trust No. 2 Sub-Fund. Subsequent to year end QB4 Capital Pty Ltd engaged in legal proceedings against Guardian Securities Ltd in relation termination of the management agreement. On 1 October 2020, the parties entered into a Deed of Settlement, agreeing to resolve to settle their differences on the terms of the Deed. Subsequently the terms of the deed have not been complied with and the sub-funds have been placed under receivership and litigation remains ongoing.

Subsequent to year end, the global pandemic of COVID-19 had a significant impact on various industries including the real estate and property market. The impact of the pandemic has been assessed with regards to the Group however due to the uncertainty of the situation, the Group is unable to quantify the impact and will continue to assess the situation as it evolves. If the situation subsequently evolves in that there is a decline in the property market having a negative impact on rent and sales, this may impact on the valuation of the investment properties and inventories held by the Group.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**DIRECTORS' REPORT
30 June 2020**

Subsequent to the year end, the Fund has entered into and settled various financial investments as outlined in its various Product Disclosure Statements and associated investment strategies. These are considered to be in the normal course of business.

No other matters or circumstances have arisen since 30 June 2020 that have significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Likely developments

The Consolidated Entity will continue to pursue its policy of increasing returns through active investment selection.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulations

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnities and insurance premiums for officers or auditors

The Constitution of the Responsible Entity requires it to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

- a. any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
- b. a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**DIRECTORS' REPORT
30 June 2020**

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 the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the board,



Steven Maarbani
Director
26 March 2021
Sydney

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GUARDIAN SECURITIES LIMITED AS RESPONSIBLE ENTITY FOR
THE GUARDIAN INVESTMENT FUND**

I declare to the best of my knowledge and belief, in relation to the audit of the financial report of The Guardian Investment Fund and its controlled entities for the year ended 30 June 2020, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF (Gold Coast)



Michael Sheehy
Registered Company Auditor

26 March 2021
Gold Coast

Tel: +61 7 5553 1000 • Fax: +61 7 5553 1001 • Email: pkfgoldcoast.reception@pkf.com.au • www.pkf.com.au
PKF (Gold Coast) • ABN: 25 493 017 022
Level 6, RSL Centre • 9 Beach Road • Surfers Paradise • Queensland 4217 • Australia
PO Box 588 • Surfers Paradise • Queensland 4217 • Australia

PKF (Gold Coast) is a member of the PKF International Limited families of legally independent firms. PKF (Gold Coast) does not accept responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**CONTENTS
FOR THE YEAR ENDED 30 JUNE 2020**

Contents	Page
Financial Statements	
Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of changes in net assets attributable to unitholders	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11 - 37
Directors' declaration	38
Independent auditor's report	39 - 41

The financial report covers The Guardian Investment Fund as a Consolidated Entity consisting of The Guardian Investment Fund (the Master Fund) and its controlled Sub Fund investments, being Full Luck Fund Sub-Fund and controlled entity Full Luck Fund Pty Limited, SJQ Investments Sub-Fund Pty Limited and controlled entity SJQ Investments Pty Limited, Development Income Fund Sub-Fund, Fundus Trust No. 1 Sub-Fund, Fundus Trust No. 2 Sub-Fund, Burnaby Terrace Sub-Fund and Molecular Mediation Sub-Fund. The Responsible Entity of the The Guardian Investment Fund is Guardian Securities Limited (Responsible Entity).

The Responsible Entity's registered address is Unit 2, 34 Florence Street, Teneriffe, QLD 4005.

The financial report was authorised for issue, in accordance with a resolution of directors of the Responsible Entity, on 26 March 2021.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

		Consolidated	
	Note	2020	2019
		\$	\$
Revenue from ordinary operations			
Interest income	6	4,615,544	3,289,117
Other income		179,450	-
Total revenue from ordinary operations		<u>4,794,994</u>	<u>3,289,117</u>
Expenses from ordinary operations			
Management fees	17	(731,783)	(573,913)
Professional fees		(1,207,183)	(869,774)
Allowance for expected credit losses	12	(2,903,896)	(358,403)
Impairment expense	11	(547,733)	-
Decline in fair value	12	-	(3,116,951)
Other expenses		(397,580)	(43,336)
Total expenses from ordinary operations		<u>(5,788,175)</u>	<u>(4,962,377)</u>
Loss before finance costs and income tax attributable to unitholders		<u>(993,181)</u>	<u>(1,673,260)</u>
Income tax	7	-	-
Loss after income tax expense and before finance costs attributable to unitholders		<u>(993,181)</u>	<u>(1,673,260)</u>
Finance costs attributable to unitholders			
Distributions paid to investors	14	(3,134,675)	(2,553,955)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income		<u>-</u>	<u>-</u>
Change in net assets attributable to unitholders		<u>(4,127,856)</u>	<u>(4,227,215)</u>

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

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

		Consolidated	
	Note	2020	2019
		\$	\$
Assets			
Cash and cash equivalents	8	2,871,484	1,160,009
Trade and other receivables	9	1,014,413	292,207
Inventories	11	1,736,857	2,082,048
Other financial assets	12	38,259,803	33,979,036
Total assets		43,882,557	37,513,300
Liabilities			
Financial liabilities measured at amortised cost:			
Trade and other payables	13	1,210,684	645,402
Total liabilities (excluding net assets attributable to investors)		1,210,684	645,402
Net assets attributable to unitholders		42,671,873	36,867,898

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

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2020**

Consolidated	Notes	Units on Issue No.	Net Assets Attributable to Unitholders \$
Balance at 1 July 2019		52,955,213	36,867,898
Issue of units		14,343,298	14,127,571
Application funds received but not yet issued		-	-
Redemption of units		(4,195,740)	(4,195,740)
Increase in net assets attributable to unitholders from transactions in units		10,147,558	9,931,831
Change in net assets attributable to unitholders		-	(4,127,856)
Balance at 30 June 2020	5	63,102,771	42,671,873
Balance at 1 July 2018		37,696,171	27,150,777
Issue of units		18,206,822	16,852,116
Application funds received but not yet issued		-	40,000
Redemption of units		(2,947,780)	(2,947,780)
Increase in net assets attributable to unitholders from transactions in units		15,259,042	13,944,336
Change in net assets attributable to unitholders		-	(4,227,215)
Balance at 30 June 2019		52,955,213	36,867,898

The above consolidated statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

		Consolidated	
	Note	2020	2019
		\$	\$
Cash flows from operating activities			
Interest received – cash and cash equivalents		3,654,546	3,208,645
Other income		179,450	-
Management fees paid		(554,669)	(482,618)
Distribution paid to investors		(2,293,738)	
Other operating costs paid		(2,002,397)	(989,138)
Net cash flows from operating activities	26	<u>(1,016,808)</u>	<u>1,736,889</u>
Cash flows from investing activities			
Payment for investment in preference shares		(19,119,623)	(18,478,677)
Proceeds from redemption of preference shares		12,118,617	5,582,503
Payment for shares in an unlisted company		-	(198,120)
Advances to borrowers		-	950,000
Payment for inventories		(202,542)	(214,208)
Net cash flows used in investing activities		<u>(7,203,548)</u>	<u>(12,358,502)</u>
Cash flows from financing activities			
Proceeds from issue of units and application funds		14,127,571	16,892,116
Payment for redemption of units and application funds		(4,195,740)	(2,947,780)
Distribution expense paid	14	-	(2,334,556)
Net cash flows from financing activities		<u>9,931,831</u>	<u>11,609,780</u>
Net increase in cash and cash equivalents		1,711,475	988,167
Cash and cash equivalents at the beginning of the financial year		1,160,009	171,842
	8	<u>2,871,484</u>	<u>1,160,009</u>

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

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1 GENERAL INFORMATION

The Guardian Investment Fund ("the Fund" or "The Consolidated Entity") is a registered managed investment scheme domiciled in Australia and was formed to invest financial products and assets in the commercial, industrial, retail and residential property sectors on behalf of the Fund's investors in accordance with its Product Disclosure Statement. The Fund mainly invests through special purpose vehicles established for each investment opportunity, and directly into financial instruments through sub-trusts, each of which form part of the Consolidated Entity.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for the Consolidated Entity, a for-profit oriented entity. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets. The amount expected to be recovered or settled within 12 months in relation to these balances cannot be reliably determined.

The financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

In the case of net assets attributable to unitholders, the units are only redeemable in accordance with the terms of the relevant Supplementary Product Disclosure Statement. The amount expected to be settled within 12 months cannot be reliably determined. Each class of unit is associated with its own sub-fund where investors have certain rights discrete from investors who hold other unit classes.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2019. The nature and the impact of each new standard and/or amendment is described below including the changes in accounting policies:

AASB 16 Leases

The Consolidated Entity has adopted AASB 16 Leases with a date of initial application of 1 July 2019. The adoption of AASB 16 has not resulted in any material impact on the financial performance or position of the Consolidated Entity in either the current or prior financial reporting periods. The standard has not impacted on the profit and loss.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New, revised or amending Accounting Standards and Interpretations adopted (Cont'd)

Amendments to AASB 9 - Prepayment Features with Negative Compensation

Under AASB 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to AASB 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Consolidated Entity.

Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Consolidated Entity determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Consolidated Entity applies significant judgement in identifying uncertainties over income tax treatments.

The Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Entity.

AASB 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

Annual Improvements 2015-2017 Cycle

AASB 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Master Fund information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the masterfund is disclosed in note 23.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The Guardian Investment Fund ('Fund' or 'Master Fund' or 'Unit Trust') as at 30 June 2020 and the results of all subsidiaries for the year then ended. The Guardian Investment Fund and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Consolidated Entity's functional currency.

Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in profit or loss on an accruals basis.

Revenue Recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (cont'd)

Interest income

Interest income and expense is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income is recognised on a gross basis, including withholding tax, if any.

Income tax

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. None of the entities have met the recognition criteria for this current financial year.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Distributions

Distributions are payable as set out in the Fund's product disclosure statement. Such distributions are determined by the responsible entity of the Fund. Distributable income includes capital gains arising from the disposal of financial assets and liabilities held for trading. Unrealised gains and losses on financial assets and liabilities held for trading that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholder. Where the Fund's units are classified as liabilities, movements in net assets attributable to unitholders are recognised in profit or loss as finance costs.

Financial Instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at the initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Consolidated Entity's business model for managing them. The Consolidated Entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Consolidated Entity's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting the contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Consolidated Entity commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt),
- Financial assets at fair value through OCI with recycling of cumulative gains & losses (debt),
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- Financial assets at fair value through profit or loss.

Specific instruments - financial assets at amortised cost (debt instruments)

This category is the most relevant to the Consolidated Entity. The Consolidated Entity measures financial assets at amortised cost if both of the following conditions are met:

- Held within a business model with the objective to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments - initial recognition and subsequent measurement (cont'd)

Financial Assets (cont'd)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Consolidated Entity's financial assets at amortised cost include preference shares.

Specific instruments - financial assets at fair value through profit or loss

The Consolidated Entity has not elected to irrevocably classify its equity instruments designated at fair value through OCI. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes investments in unlisted companies.

Specific instruments - cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Consolidated Entity's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Consolidated Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Consolidated Entity has transferred substantially all the risks and rewards of the asset, or
 - (b) the Consolidated Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Consolidated Entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Consolidated Entity continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Consolidated Entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Consolidated Entity has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Consolidated Entity could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are provided in Note 3.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments - initial recognition and subsequent measurement (cont'd)

Financial Assets (cont'd)

The Consolidated Entity recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Consolidated Entity expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Consolidated Entity applies a simplified approach in calculating the ECLs. Therefore, the Consolidated Entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Consolidated Entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For financial assets at amortised cost, the Consolidated Entity applies the general expected credit loss model. At every reporting date, the Consolidated Entity evaluates whether the receivable is considered to have an increase in credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Consolidated Entity reassesses the credit rating of the receivable. In addition, the Consolidated Entity considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Refer to note 3 for further details.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at the initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable costs.

The Consolidated Entity's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below for the material classifications:

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments - initial recognition and subsequent measurement (cont'd)

Financial liabilities (cont'd)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Consolidated Entity has not designated any financial liability as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the amount is recognised in the statement of profit or loss.

Inventories

Inventories of the Consolidated Entity represent work in progress for the property developments. Inventories are measured at the lower of cost and net realisable value. Cost includes the cost of acquisition, and for development properties also includes development and costs of conversion incurred from the commencement of construction until the point of time that construction of the property is completed and the property is ready for sale. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Trade and other receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in above. Amounts are generally received within 30 days of being recorded as receivables.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Units issued, applications and redemptions

All redeemable units issued by the Fund provide the investors with the right to redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement the Fund is contractually obliged to redeem units at the redemption price, however redemption is subject to the availability of surplus liquidity and at the approval of the Responsible Entity.

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

The reduction of a liability to an investor as a result of an impairment loss recorded in the statement of comprehensive income is recorded as an extinguishment of liabilities – other income in the statement of comprehensive income.

Goods and services tax

Management fees, custody fees and other expenses are recognised net of the amount of Goods and Services Tax (GST) recoverable from the Australian Taxation Office (ATO). Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows are included in the statement of cash flow on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2020. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations are considered to not be material and no further disclosures have been included.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Judgements

In the process of applying the Consolidated Entity's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Classification and measurement under AASB 9 financial instruments

Under AASB 9, the Consolidated Entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Consolidated Entity's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The classification of the Consolidated Entity's financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Consolidated Entity's receivables and preference shares; and
- Equity instruments at FVPL for financial assets that fail the SPPI criterion. This category includes the Consolidated Entity's investment in an unlisted company.

Consolidation of special purpose vehicles

The Consolidated Entity holds preference shares in various special purpose vehicles as outlined in note 12. The Consolidated Entity does not hold voting rights in these special purpose vehicles, however a director of the Responsible Entity holds various positions on the board as a protective right for the investors interests. The preference shares are held for the collection of interest and principal and are a passive investment in the underlying special purpose vehicle. Management do not consider that the position on the board represents control, or even that of significant influence, and therefore these special purpose vehicles are not consolidated into these financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Consolidated Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Consolidated Entity. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses on receivables

The Consolidated Entity uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for its contractual entitlements. The provision matrix is initially based on the Consolidated Entity's historical observed default rates. The Consolidated Entity will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The directors of the Responsible Entity have assessed that as at 30 June 2020, there are no expected credit losses for receivables. Refer to note 9 for further details.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Provision for expected credit losses on other financial assets

The Consolidated Entity considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Consolidated Entity compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

A default on a financial asset is when the counterparty fails to make contractual payments within the maturity date of the contract.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Consolidated Entity. Where loans or receivables have been written off, the Consolidated Entity continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Consolidated Entity uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories.

Category	Definition of Category	Basis for recognition of ECL
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 month expected losses.
Under-performing	Financial assets for which there is a significant increase in credit risk as a result of delays of construction of security collateral.	Lifetime expected losses.
Non-performing	Financial assets for which an event of default has occurred.	Lifetime expected losses.

Over the term of the loans, the Consolidated Entity accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Consolidated Entity considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data. The Consolidated Entity also considers the value of the security against a total loan-to-value ratio which is discounted based on expected timeframes to completion. Refer to note 12 for further details.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Fair value of financial assets at fair value through profit and loss

The Consolidated Entity holds an investment in an unlisted company which is carried at fair value through profit and loss. The Directors of the Responsible Entity have determined that the net asset value, estimated based on its unaudited balance sheet as at 30 June 2020, best represents its estimate of fair value of this investment. The Directors consider that the entity is in the early stages of commercialisation and there are material uncertainties around the unlisted private company's ability to commercialise. Such uncertainties include obtaining all the necessary council, state and federal approvals, entering into leasing arrangements of the operational facility, assembly and successful operation of the facility, securing contracts with customers and funding cashflow requirements through to commercialisation which impact the ability to readily calculate a fair value.

Refer to notes 12 and 16 for further details.

Provision for impairment of inventories

The provision for impairment of inventories assessment required a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the estimated costs to complete and other factors that affect net realisable value.

Income tax

The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

4 GOING CONCERN

The Consolidated Entity has incurred a net loss of \$4,127,856 for the financial year ended 30 June 2020 (2019: \$4,227,215) and had net assets attributable to investors of \$42,671,873 (2019: \$36,867,898) as at that date.

During the financial year, the Fundus Trust No. 2 and Fundus Trust No. 1 Sub-Funds have been placed into receivership and are currently engaged in ongoing litigation in regards to this matter. The expected credit loss calculation and impairment calculation (respectively) for the underlying assets has been prepared on the "As if Complete" valuation. This valuation does not reflect the uncertainty regarding the ongoing legal proceedings. The underlying assets held by the Sub-Funds are subject to a greater level of uncertainty due to the completion and nature of legal proceedings. The ongoing litigation as well as the Sub-funds being placed under receivership indicates a material uncertainty to the going concern basis of the entities.

These financial statements do not give effect to any adjustments which could be necessary should the Consolidated Entity be unable to continue as a going concern and therefore be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. Given the historical losses and ongoing litigation noted above, there exists a material uncertainty that the consolidated entity will continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

5 NET ASSETS ATTRIBUTABLE TO INVESTORS

Quantitative information about the Consolidated Entity's net assets attributable to unitholders is provided in the Statement of Changes in Net Assets Attributable to Unitholders.

The Consolidated Entity manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

Investors within the Consolidated Entity are issued classes of units which correspond with the particular investment the investors are investing in. Classes of units are issued with a fixed term and no withdrawal rights. Investors in a class of units will have a proportional beneficial interest in the property corresponding to that class of units. Investors will not have a beneficial interest in a property corresponding to another class of units.

Issue of units

During the financial year, the Fundus Trust No. 1 issued nil (2019 1,319,959) of additional units to its asset class investors in-lieu of a non-cash distribution.

	Consolidated 2020			Consolidated 2019		
	Balance	Interest income	Average rate	Balance	Interest income	Average rate
	\$	\$	%	\$	\$	%
Cash & cash equivalents	2,871,484	4,581	0.16%	1,160,009	15,606	1.35%
Investments	38,144,779	4,610,963	12.09%	33,808,877	3,273,511	9.68%
	<u>41,016,263</u>	<u>4,615,544</u>		<u>34,968,886</u>	<u>3,289,117</u>	

7 INCOME TAX

	Consolidated	
	2020	2019
	\$	\$
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax	-	-
Aggregate income tax expense	<u>-</u>	<u>-</u>
<i>Numerical reconciliation of income tax expenses and tax at the statutory rate</i>		
Loss before finance costs and income tax	<u>(993,181)</u>	<u>(1,673,260)</u>
Tax at the statutory tax rate of 27.5% (2019: 27.5%)	(273,125)	(460,147)
<i>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Temporary differences not recognised	<u>273,125</u>	<u>460,147</u>
Aggregate income tax expense	<u>-</u>	<u>-</u>

Deferred tax asset in respect of tax losses and other temporary differences have not been brought to account. These will be brought to account only if the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, the Consolidated Entity continues to comply with deductibility conditions imposed by tax legislation and no changes in tax legislation adversely affects the Consolidated Entity in realising the benefit.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

8 CASH AND CASH EQUIVALENTS

	Consolidated	
	2020	2019
	\$	\$
Cash held with banks	<u>2,871,484</u>	<u>1,160,009</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits at call earn interest at the respective short-term deposit rates. The Consolidated Entity's exposure to interest rate risk is discussed in note 15.

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	<u>2,871,484</u>	<u>1,160,009</u>
Balance as per statement of cash flows	<u>2,871,484</u>	<u>1,160,009</u>

9 TRADE AND OTHER RECEIVABLES

Distributions receivable	1,009,595	282,411
Other receivables	<u>4,818</u>	<u>9,796</u>
	<u>1,014,413</u>	<u>292,207</u>

Trade and other receivables are considered fully collectable by the directors of the Responsible Entity. As such, no provision for expected credit losses has been provided as at 30 June 2020 (2019: \$nil).

10 LOANS RECEIVABLE

Loans receivable	9,798,650	9,798,650
Loan receivable - transferred from investment property	-	-
Less: provision for expected credit loss	<u>(9,798,650)</u>	<u>(9,798,650)</u>
	<u>-</u>	<u>-</u>

Reconciliation of movement

Reconciliation of the loans at the beginning and end of the current and previous financial year are set out below:

Opening value	-	950,000
Advancements	-	-
Repayments	-	950,000
Provision for expected credit losses	<u>-</u>	<u>-</u>
Closing value	<u>-</u>	<u>-</u>

Full Luck Sub-Fund and SJQ Investments Sub-Fund

During the 30 June 2018 financial year, investment properties relating to Full Luck Fund Pty Limited and SJQ Investments Pty Limited amounting to \$9,798,650 (before impairment) were re-classified to loans receivable following the decision to substitute the underlying security originally agreed to from a number of apartments in a residential complex to a select number of apartments in a yet to be constructed residential complex. There are currently uncertainties with respect to the existence and ownership of the security as at the date of this report. In addition, the Investment Manager and its associated developer have ceased paying the agreed returns to the relevant sub-funds in accordance with the requirements under the Product Disclosure Statements. Given the uncertainty with respect to the underlying security and the default status of the borrower's payment obligations, Management have decided to fully impair both the loan principal and interest due from the Investment Manager and its associated developer.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

10 LOANS RECEIVABLE (CONT'D)

Should the Investment Manager and developer start paying interest owing by them and an adequate replacement security be put in place, the impairment provision would most likely be reversed. As at the date of this report, there are no further advancements on the matter and management has not proceeded with litigation.

11 INVENTORIES

	Consolidated	
	2020	2019
	\$	\$
Opening balance	2,082,048	1,867,840
Acquisitions	202,542	214,208
Impairment	(547,733)	-
Closing balance	<u>1,736,857</u>	<u>2,082,048</u>

The inventory balance at 30 June 2020 comprises work in progress (net of impairment) amounting to \$1,007,857 (2019: \$1,001,613) and finished goods (net of impairment) of \$1,276,733 (2019: \$1,080,435).

Reconciliation of movement

	Title	Acquisition date	Book value 30 June 2020	Book value 30 June 2019
			\$	\$
10-12 Leonard Street, Yamanto	Freehold	13 Feb 2018	1,007,857	1,001,613
16-18 Todds Road, Lawnton*	Freehold	26 Jul 17	<u>729,000</u>	<u>1,080,435</u>
			<u>1,736,857</u>	<u>2,082,048</u>

* The title is not yet held in the name of the trustee noting the beneficial interest of the sub-fund due to administrative oversight. This is currently being actioned as at the date of this report to rectify.

The Sub-Fund has been placed into receivership as well as ongoing litigation. The impairment calculation has been prepared on the "As if Complete" valuation. This valuation does not reflect the uncertainty regarding the ongoing legal proceedings. Refer to note 21 and 26 for further details.

Net realisable value

The directors of the Responsible Entity have assessed that as at 30 June 2020, the cost for the Yamanto property exceeded its net realisable value. The balance was adjusted to write down the value to its net realisable value as at 30 June 2020. This assessment has been made based on factoring estimated costs to complete and discounting the sales price based on expected selling date.

12 OTHER FINANCIAL ASSETS

Preference shares	38,144,779	33,808,877
Investment in unlisted company	<u>115,024</u>	<u>170,159</u>
	<u>38,259,803</u>	<u>33,979,036</u>

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

12 OTHER FINANCIAL ASSETS (CONT'D)

	Consolidated	
	2020	2019
	\$	\$
Preference shares		
<i>Reconciliation of movement</i>		
Reconciliation of the values at the beginning and end of the current and previous financial year are set out below:		
Opening value	33,808,877	21,271,106
Additions	19,358,415	18,478,677
Redemptions	(12,118,617)	(5,582,503)
Provision for expected credit loss	(2,903,896)	(358,403)
Closing value	<u>38,144,779</u>	<u>33,808,877</u>

The carrying value, prior to the provision for expected credit losses, of \$41,048,675 (2019: \$34,167,280) pertains to \$29,578,238 (2019: \$28,295,037) of preference shares held under the Development Income Fund sub-fund, \$2,210,000 (2019: \$2,210,000) of preference shares held under the Burnaby Terrace sub-fund and \$6,356,541 (2019: \$3,662,243) of preference shares held under Fundus Trust No. 2 sub-fund as outlined below.

Development Income Fund Sub-Fund

Preference shares are held in private companies undertaking property developments, of which \$29,578,238 (2019: \$28,295,037) are associated to a related managed investment scheme called SMSF Property Fund, and are invested through the Development Income Fund sub-fund. The preference shares are interest bearing at 12% per annum, are redeemable at the later of 12 months from the date of issue or at the time the underlying developments in the private companies are completed and sold, and have priority repayment security. Refer to note 19 for further information.

During the current year, due to impairment issues with some of the sub-funds, redemptions have been placed on hold for 6 months to prioritise the deployment of DIF capital into existing projects. Distributions were also suspended during April and May to allow time for the underlying sub-funds to replenish their capital base. In addition, there has been a reduction in the coupon rate for some sub-funds, to 4% until construction is complete and then be increased to 6% per annum.

The Responsible Entity ("RE"), recorded a breach during the financial year relating to the preference shares on issue from the Development Income Fund ("DIF") to the three separate SPV's within the related entity SMSF Property Fund. The SPV's breached the DIF preference share terms by exceeding the funding limits. The director's of the RE determined is in the best interest of the DIF investors to waive remedial action relating to breach of these terms. Without continuing DIF involvement, there is a risk the projects will be substantially delayed, consequently elevating the risk of repayment of DIF preference shares.

Burnaby Terrace Sub-Fund

Preference shares are held in a private company undertaking a property development amounting to \$2,210,000 (2019: \$2,210,000). The preference shares are interest bearing at an indicative rates of between 20% to 30% which is payable at completion and sale of the development, however where profits aren't achieved the interest will be reduced as it is variable based on profit. The interest is dependent on the net realisable value of the sales being sufficient enough to cover external liabilities of the company prior to any distribution to preference shareholders being made.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

12 OTHER FINANCIAL ASSETS (CONT'D)

Consolidated
2020 2019
\$ \$

Fundus Trust No. 2 Sub-Fund

Preference shares are held in private companies undertaking property developments, of which have different terms and maturity dates as outlined below:

- Preference shares amounting to \$2,766,351 are under a facility agreement amounting to \$30,000,000, which are interest bearing at 12% per annum payable monthly in arrears and include a final distribution of 5% based on the gross profit of the sale of the underlying property. The 5% of gross profit distribution is dependent on the net realisable value of the sales being sufficient enough to cover external liabilities of the company prior to any distribution to preference shareholders being made. The preference shares have a maturity date of June 2022.
- Preference shares amounting to \$1,090,190 are under a facility agreement amounting to \$3,000,000 which are interest bearing at 14% per annum payable monthly in arrears. The preference shares have a maturity date of 30 June 2020. The preference shares were fully redeemed subsequent to year end.
- Preference shares amounting to \$2,500,000 are under a facility agreement amounting to \$2,500,000 which are interest bearing at 15% per annum payable monthly in arrears. The preference shares have a maturity date of 1 July 2021.

The Sub-Fund has been placed into receivership and litigation regarding this matter is ongoing. The expected credit loss calculation has been prepared on the "As if Complete" valuation. This valuation does not reflect the uncertainty regarding the ongoing legal proceedings. Refer to note 21 and 27 for further details.

Expected credit losses

A provision of expected credit losses of \$2,903,896 (2019: \$NIL) has been recorded at 30 June 2020 in accordance with the accounting policies outlined in note 2. The directors of the Responsible Entity do not consider that any preference shares are credit impaired under stage 3 of the model, and therefore this is a general provision recognised for stage 1 and 2 investments.

Investment in unlisted company

The investment in unlisted company amounting to \$115,024 (2019: \$170,159) represents ordinary share capital.

Reconciliation of movement

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	170,159	3,088,990
Additions	-	198,120
Redemptions	(55,135)	-
Revaluation increase (decrease)	-	(3,116,951)
Closing fair value	115,024	170,159

Fair value

As outlined in notes 3 and 15, the investment in an unlisted company is carried at its net asset value, being the Directors estimate of the best representation of fair value, which resulted in a reduction of the fair value of \$3,116,951 as at 30 June 2018. Refer to note 3 and 16, for further details of uncertainties with respect to this investment. Should such uncertainties be mitigated then the fair value of the investment may become reasonably estimable under traditional valuation methods. A fair value estimate utilising such methods is likely to be materially different to the recorded value.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

13 TRADE AND OTHER PAYABLES

	Consolidated	
	2020	2019
	\$	\$
Trade creditors	1,153,771	488,311
Other payables	56,913	157,091
	<u>1,210,684</u>	<u>645,402</u>

Trade payables includes investor distributions amounting to \$840,937 (2019: \$219,399).

Other payables includes loans amounting to \$0 (2019: \$5,545) payable to a related party of the Consolidated Entity. The loans are interest free and are unsecured. Refer to note 19 for further details.

14 DISTRIBUTIONS PAID AND PAYABLE

Distributions paid to investors		2,293,738	2,334,556
Distributions payable to investors	Note 13	840,937	219,399
Total distributions to investors		<u>3,134,675</u>	<u>2,553,955</u>

15 FINANCIAL INSTRUMENTS

Set out below, is an overview of financial assets held by the Consolidated Entity as at 30 June 2020 and 30 June 2019:

Debt instruments at amortised cost

Trade and other receivables	Note 9	1,014,413	292,207
Preference shares	Note 12	38,144,779	33,808,877

Financial assets at fair value through profit or loss

Investment in unlisted company	Note 12	115,024	170,159
Total		<u>39,274,216</u>	<u>34,271,243</u>

Total trade and other receivables

38,259,803 **33,979,036**

Set out below, is an overview of financial liabilities held by the Consolidated Entity as at 30 June 2020 and 30 June 2019:

Financial liabilities at amortised cost

Trade and other payables	Note 13	1,210,684	645,402
Total		<u>1,210,684</u>	<u>645,402</u>

Total trade and other payables

1,210,684 **645,402**

The Fund's assets principally consist of financial assets, such as preference shares and loans receivable, and work in progress inventories. It holds these investment assets at the discretion of the Responsible Entity and Investment Committee in accordance with the Fund's constitution and the relevant Product Disclosure Statements.

The allocation of assets between the various types of assets described above is determined by the Fund's Manager and Investment Committee who manage the Fund's portfolio of assets to achieve the Consolidated Entity's investment objectives.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

15 FINANCIAL INSTRUMENTS (CONT'D)

Consolidated
2020 2019
\$ \$

The Consolidated Entity's investing activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risks.

The Board of Directors of the Responsible Entity and Investment Committee has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Board and Investment Committee is responsible for developing and monitoring the Fund's risk management policies, including those related to its investment activities. The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, including those risks managed by the Responsible Entity and Investment Committee, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Board and Investment Committee monitors compliance with the Fund's risk management strategies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and property values will affect the Fund's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is managed by the Board of Directors and Investment Committee.

Property value risk

The majority of the Fund's assets are in investment vehicles which participate in property development, or have property backed assets. As a result, the Fund is subject to property value risk from fluctuations in the prevailing levels of market property values. Changes in property values could have an effect on the net realisable value of the properties which would in turn impact the underlying value of the investments and hence unitholders funds. The Fund's exposure to property is restricted to residential and commercial property in Queensland which has shown signs of stability in recent times.

At reporting date the Fund's financial assets that are exposed to property value risk was:

Other financial assets (preference shares)	Note 12	38,144,779	33,808,877
		<u>38,144,779</u>	<u>33,808,877</u>

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

15 FINANCIAL INSTRUMENTS (CONT'D)

	Consolidated	
	2020	2019
	\$	\$

Interest rate risk

A significant portion of the Fund's financial assets and financial liabilities are interest-bearing. Interest-bearing financial assets and financial liabilities have variable interest rates and/or mature in the short-term. As a result, the Fund is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested in an interest-bearing deposit account with an Australian regulated banking institution. The Fund's interest rate risk is monitored on a monthly basis by the Board of Directors and Investment Committee.

Interest rate profile

At reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed and variable rate instruments		
Cash and cash equivalents	2,871,484	1,160,009
Other financial assets	38,144,779	33,808,877
	<u>41,016,263</u>	<u>34,968,886</u>

Interest rate sensitivity

The variable rate instruments amount to \$4,872,807 (2019: \$3,571,854). The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk.

	Interest rate risk	
	+75bps	-75bps
	\$	\$
Impact on net assets attributable to unitholders		
30 June 2020	364,711	(364,711)
30 June 2019	165,000	(165,000)

The Consolidated Entity holds fixed rate instruments amounting to \$35,937,076 (2019: \$30,595,426) as the rates of return are specified under the various Product Disclosure Statements and agreements. The directors manage the interest rate risk through these fixed rate instruments.

	Consolidated	
	2020	2019
	\$	\$

Credit risk

Credit risk is the risk that a counterparty to a financial instruments will fail to discharge an obligation or commitment that it has entered into with the Fund. The Responsible Entity and Investment Committee manage the exposure to credit risk on an ongoing basis.

The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

Cash and cash equivalents	2,871,484	1,160,009
Trade and other receivables	1,014,413	292,207
Other financial assets	38,144,779	33,808,877
	<u>42,030,676</u>	<u>35,261,093</u>

All of the cash held by the Consolidated Entity is held by Australian regulated banks. As such, the Responsible Entity and Investment Committee consider the credit risk to be low.

The Fund is exposed to credit risk on all other investments. As at 30 June 2020, the carrying value of \$41,824,296 (2019: \$33,808,877) is net of expected credit losses for those assets considered impaired or past due, and represents the maximum exposure to credit risk.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

15 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

In accordance with the Product Disclosure Statement the Fund is obliged to redeem units at the redemption price, however redemption is subject to the availability of surplus liquidity and at the approval of the Responsible Entity. All classes of units are issued in accordance with the relevant Product Disclosure Statements with a fixed term and no withdrawal rights.

The Fund's liquidity risk is managed on a monthly basis by the Board of Directors and Investment Committee in accordance with the policies and procedures in place.

The following are the contractual maturities of financial liabilities, excluding interest payments and excluding the impact of netting agreements:

Consolidated	Carrying	Contractual	0-6	6- 12	1-2	More than
2020	value	cash flows	Months	Months	years	2 years
	\$	\$	\$	\$	\$	\$
Trade payable	1,210,684	1,210,684	1,210,684	-	-	-
Investors funds	42,671,873	42,671,873	-	42,671,873	-	-
	<u>43,882,557</u>	<u>43,882,557</u>	<u>1,210,684</u>	<u>42,671,873</u>	<u>-</u>	<u>-</u>
2019						
Trade payable	645,402	645,402	645,402	-	-	-
Investors funds	36,867,898	36,867,898	36,867,898	-	-	-
	<u>37,513,300</u>	<u>37,513,300</u>	<u>37,513,300</u>	<u>-</u>	<u>-</u>	<u>-</u>

The preference shares underlying the Development Income Fund's investor funds, have a Redemption Date of 12 months from the date of issue or upon sale of the assets by the issuer, whichever is earlier. Should the issuers project remain incomplete, unsold or unable to generate sufficient funds to redeem the Preference Shares at the Redemption Date, the issuer will have right to automatically extend the term until sufficient profits are achieved in order for them to redeem the Preference Shares. The cashflow above is based on the expected timeframe of achieving sufficient profits.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Fund's processes, personnel, technology and infrastructure, external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Fund's operations.

The objective of the Responsible Entity and Investment Committee is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

15 FINANCIAL INSTRUMENTS (CONT'D)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Responsible Entity and Investment Committee. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- appropriate segregation of duties, including independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

16 FAIR VALUE

	30 June 2020		30 June 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Set out below is a comparison of the carrying amounts of the fair value financial assets:				

Consolidated

Financial assets

	\$	\$	\$	\$
Investment in unlisted company	115,024	115,024	170,159	170,159
	<u>115,024</u>	<u>115,024</u>	<u>170,159</u>	<u>170,159</u>

Fair value hierarchy

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated	Level 1	Level 2	Level 3	Total
Financial assets	\$	\$	\$	\$
2020				
Investments in unlisted company	-	-	115,024	115,024
2019				
Investments in unlisted company	-	-	170,159	170,159

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 3 valuation techniques are those which are unobservable. As outlined in note 3, for the current investment in unlisted company held by the Consolidated Entity, the net asset value, estimated based on its unaudited balance sheet as at 30 June 2020, best represents its estimate of fair value of this investment. The Directors consider that the entity is in the early stages of commercialisation and there are material uncertainties around the unlisted private company's ability to commercialise.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

16 FAIR VALUE (CONT'D)

There are material uncertainties around the unlisted private company's ability to commercialise including obtaining all the necessary council, state and federal approvals, entering into leasing arrangements of the operational facility, assembly and successful operation of the facility, securing contracts with customers and funding cashflow requirements through to commercialisation which impact the ability to readily calculate a fair value.

17 KEY MANAGEMENT PERSONNEL DISCLOSURES

The Directors of Guardian Securities Limited are considered to be Key Management Personnel of the Consolidated Entity. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Guy Hasenkam	
Christopher Wilson	(resigned 24 January 2020)
Errol Jackson	(resigned 24 January 2020)
Steven Maarbani	(appointed 21 January 2020)
Craig Hart	(appointed 4 February 2020)
Darren Tasker	(appointed 24 January 2020, resigned 4 February 2020)

In addition to the Directors noted above, Guardian Securities Limited, the Responsible Entity of the Consolidated Entity, is considered to be Key Management Personnel with the authority for the strategic direction and management of the Consolidated Entity.

18 KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated	
	2020	2019
<i>Compensation</i>	\$	\$
No amount is paid by the Consolidated Entity directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Consolidated Entity to the Directors as Key Management Personnel.		

Guardian Securities Limited provides management services to the Consolidated Entity. Transactions between the Consolidated Entity and the Responsible Entity Limited result from normal dealings with that Entity as the Consolidated Entity's Responsible Entity in accordance with the requirements of the relevant Product Disclosure Statements. Guardian Securities Limited is an Australian Financial Services License holder.

Guardian Securities Limited receives all management fees that have been paid by the Consolidated Entity during the year. The Consolidated Entity paid the following fees to the Responsible Entity during the financial year:

Management fees paid to Guardian Securities Limited	396,799	482,618
Management fees payable to Guardian Securities Limited	177,114	91,295
	<u>731,783</u>	<u>573,913</u>

Other

The Consolidated Entity has not made, guaranteed or secured, either directly or indirectly, any loans to the Directors and Key Management Personnel of the Responsible Entity, or their personally related entities, at any time during the financial year.

No Directors and Key Management Personnel of the Responsible Entity, or their personally related entities, have entered into a material contract with the Consolidated Entity.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

19 RELATED PARTIES

	Consolidated 2020	2019
<i>Parent entity</i>	\$	\$

The Guardian Investment Fund is the master fund of the Consolidated Entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Key management personnel

Disclosures relating to key management personnel are set out in note 17.

Transactions with related parties

The following transactions occurred with related parties:

Interest income	3,819,083	3,000,370
-----------------	-----------	-----------

Interest income has been received from SMSF Property Fund which is a registered scheme of which Guardian Securities Limited also acts as Responsible Entity for. The preference shares are interest bearing at 12% per annum, are redeemable at the later of 12 months from the date of issue or at the time the underlying developments in the private companies are completed and sold, and have priority repayment security. On 11 May 2020, the Director's of the Responsible Entity resolved to reduce the interest on the Development Income Fund preference shares to 6% for four of the Fund's.

There are no other transactions with related parties during the financial year ended 30 June 2020 (2019: \$nil).

Investments, receivables from and payables to related parties

Preference shares	32,482,134	28,795,037
-------------------	------------	------------

These investments are within SMSF Property Fund, a registered scheme of which Guardian Securities Limited also acts as Responsible Entity. The preference shares relate to shares held in various special purpose property development companies established as part of the SMSF Property Fund group.

Trade receivables	975,892	282,411
-------------------	---------	---------

Trade receivables are from SMSF Property Fund, a registered scheme of which Guardian Securities Limited also acts as Responsible Entity and relate to interest income receivable on the preference shares.

Trade payables	177,114	91,295
----------------	---------	--------

Trade payables are to Guardian Securities Limited and GSL Services Pty Limited, both related entities of the Fund, and are connection with fees under the Product Disclosure Statements and recharges of costs to the Consolidated Entity.

Loans payable	-	5,545
---------------	---	-------

Loans payable are to GSL Services Pty Limited, are interest free and are unsecured. The purpose of the loans was to provide funding required to pay Fund expenditure during the financial year.

There are no other receivables from or payables to related parties as at 30 June 2020 (2019: \$nil).

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

19 RELATED PARTIES (CONT'D)

	Consolidated	
	2020	2019
<i>Related party investments held by the Consolidated Entity</i>	\$	\$
Apart from those noted above, the Consolidated Entity has no investment in related parties as at 30 June 2020 (2019: \$nil).		

Related party investing activities

There are no related parties have investments in the Consolidated Entity as at 30 June 2020 (2019: \$nil).

20 AUDITORS REMUNERATION

During the financial year, the following fees were payable for services provided by Auditors. A related party, GSL Services Pty Limited has agreed to pay the following fees, for services provided by PKF (Gold Coast), the auditor of the Consolidated Entity:

Audit services – PKF (Gold Coast)

Annual audit of the financial statements	41,577	47,870
Half-year review of the financial statements	20,448	20,000
	<u>62,025</u>	<u>67,870</u>

Other services – PKF (Gold Coast)

Preparation of the tax return	<u>17,800</u>	<u>17,800</u>
-------------------------------	---------------	---------------

21 CONTINGENT LIABILITIES

The Consolidated Entity did not have any contingent liabilities as at 30 June 2020 (2019: \$nil).

During the financial year end 30 June 2020, there has been ongoing litigation between the Fundus Trust No. 2 Pty Ltd and Fundus Trust No. 1 Pty Ltd and QB4 with regards to Fundus Trust No. 2 and Fundus Trust No. 1 Sub-Funds. It has been determined that contingent liabilities in relation to this matter cannot be reliably estimated as at the date of this report. Refer to note 12 and 27 for further details.

22 COMMITMENTS

There are no commitments, either capital, operating or finance, as at 30 June 2020 (2019: \$nil).

23 PARENT ENTITY INFORMATION

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity, The Guardian Investment Fund. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in note 2.

Total assets	46,356,975	38,474,930
Total liabilities	1,138,994	349,672
Net assets attributable to investors – liability	<u>45,217,981</u>	<u>38,125,258</u>
Profit/(loss) from operating activities	-	-
Total comprehensive income	-	-
Change in net assets attributable to investors	<u>-</u>	<u>-</u>

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

24 PARENT ENTITY INFORMATION

	Consolidated	
	2020	2019
	\$	\$
<i>Guarantees</i>		
No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries as at 30 June 2020 and 30 June 2019.		
<i>Contractual commitments</i>		
The parent entity has no commitments of as at 30 June 2020 and 30 June 2019.		
<i>Contingent liabilities</i>		
The parent entity has no contingent liabilities as at 30 June 2020 and 30 June 2019.		
<i>Significant accounting policies</i>		
The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for investments in subsidiaries which are accounted for at cost, less any impairment, in the parent entity.		

25 SUBSIDIARIES

The consolidated financial statements incorporates the assets, liabilities and results of the following sub funds in accordance with the accounting policy described in note 2.

Name of entity	Country	Holding	
		2020	2019
		%	%
Full Luck Fund Sub-Fund and controlled entity Full Luck	Australia	100	100
SJQ Investments Sub-Fund Pty Limited and controlled	Australia	100	100
Development Income Fund Sub-Fund	Australia	100	100
Fundus Trust No. 1 Sub-Fund	Australia	100	100
Burnaby Terrace Sub-Fund	Australia	100	100
Molecular Mediation Sub-Fund	Australia	100	100
Fundus Trust No. 2 Sub-Fund	Australia	100	100

26 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2020	2019
	\$	\$
Profit/(loss) from operating activities before distributions	(4,127,856)	(1,673,260)
<i>Non-cash items</i>		
Expected credit loss	2,903,896	358,403
Impairment expense	547,733	-
Effective interest on investments	(238,792)	3,116,951
<i>Movements in working capital:</i>		
Decrease/(increase) in accounts receivables	(722,206)	(80,472)
Increase/(decrease) in accounts payables	620,417	15,267
Increase/(decrease) in provision for income tax	-	-
Cash flows from operating activities	<u>(1,016,808)</u>	<u>1,736,889</u>

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

27 EVENTS SUBSEQUENT TO REPORTING DATE

On 16 March 2020 the former investment manager, QB4 Capital Pty Ltd, terminated the management agreement with Guardian Securities Limited in relation to the Fundus Trust No. 1 Sub-Fund and Fundus Trust No. 2 Sub-Fund. Subsequent to year end QB4 Capital Pty Ltd engaged in legal proceedings against Guardian Securities Ltd in relation termination of the management agreement. On 1 October 2020, the parties entered into a Deed of Settlement, agreeing to resolve to settle their differences on the terms of the Deed. Subsequently the terms of the deed have not been complied with and the sub-funds have been placed under receivership and litigation remains ongoing.

Subsequent to year end, the global pandemic of COVID-19 had a significant impact on various industries including the real estate and property market. The impact of the pandemic has been assessed with regards to the Group however due to the uncertainty of the situation, the Group is unable to quantify the impact and will continue to assess the situation as it evolves. If the situation subsequently evolves in that there is a decline in the property market having a negative impact on rent and sales, this may impact on the valuation of the investment properties and inventories held by the Group.

Subsequent to the year end, the Fund has entered into and settled various financial investments as outlined in its various Product Disclosure Statements and associated investment strategies. These are considered to be in the normal course of business.

No other matters or circumstances have arisen since 30 June 2020 that have significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**THE GUARDIAN INVESTMENT FUND
AND ITS CONTROLLED ENTITIES
ARSN 168 048 057**

**DIRECTORS' DECLARATION
30 June 2020**

In the opinion of the directors of Guardian Securities Limited, Responsible Entity of The Guardian Investment Fund and its Consolidated Entity:

- a. the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- b. the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- c. the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- d. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors,



Steven Maarbani
Director

26 March 2021
Sydney

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF THE GUARDIAN INVESTMENT FUND****Report on the financial statements****Auditor's opinion**

We have audited the accompanying general purpose financial report of The Guardian Investment Fund ("the Fund"), which comprises the Consolidated Statement of Financial Position as at 30 June 2020, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Net Assets Attributable to Unitholders and Consolidated Statement of Cash Flows for the financial year ended, and notes to the financial statements including a summary of significant accounting policies, and the declaration by the Directors of Guardian Securities Limited ("the Responsible Entity") of The Guardian Investment Fund and the consolidated entity comprising of The Guardian Investment Fund and the entities it controlled at year's end or from time to time during the financial year.

In our opinion the accompanying financial report gives a true and fair view of the financial position of the Fund as at 30 June 2020, and of the financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Report section of our report.

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

Material Uncertainty Related to Going Concern

We draw your attention to note 4 in the financial report, which indicates the Consolidated Entity has incurred a net loss after tax and distributions made to investors of \$4,127,856. We also draw your attention to note 4, 11 and 12 in the financial report, which details the ongoing litigations in relation to the receivership of the Fundus Trust No. 2 and Fundus Trust No. 1 Sub-Funds and the uncertainty in relation to the recoverability of the underlying assets. These events or conditions, along with other matters as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Other Financial Assets

Without qualifying our opinion we would like to draw your attention to Note 4 and 12. Due to the Fundus Trust No. 2 Sub-Fund being placed into receivership as well as the ongoing litigation there is no assurance that the financial assets invested in the instrument will be recovered as estimated by the last "As if Complete" valuation received.

Tel: +61 7 5553 1000 • Fax: +61 7 5553 1001 • Email: pkfgoldcoast.reception@pkf.com.au • www.pkf.com.au

PKF (Gold Coast) • ABN: 25 493 017 022

Level 6, RSL Centre • 9 Beach Road • Surfers Paradise • Queensland 4217 • Australia

PO Box 588 • Surfers Paradise • Queensland 4217 • Australia

PKF (Gold Coast) is a member of the PKF International Limited families of legally independent firms. PKF (Gold Coast) does not accept responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

Emphasis of Matter - Inventories

Without qualifying our opinion we would like to draw your attention to Note 4 and 11. Due to the FundusTrust No. 1 Sub-Fund being placed into receivership as well as the ongoing litigation there is no assurance that the inventory will be recovered as estimated by the last "As if Complete" valuation received.

Independence

We are independent of the Fund in accordance with the with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The Responsible Entity is responsible for the other information. The other information comprises the information included in the Fund's annual report for the year end 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of The Directors of the Responsible Entity for the Financial Report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the directors of the Responsible Entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The directors of the Responsible Entity are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- Conclude on the appropriateness of the directors of the Responsible entity use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PKF

PKF (Gold Coast)



Michael Sheehy

Registered Company Auditor

26 March 2021
Gold Coast