



# GARDA

— GARDA PROPERTY GROUP (ASX: GDF)

Half Year Results Presentation

18 February 2021

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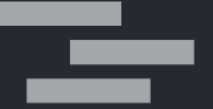
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# Snapshot



GARDA Property Group (ASX:**GDF** or **GARDA**) is an internally managed real estate investment, development and funds management group with a focus on industrial and commercial properties on the east coast of Australia.

6.1%

FY21 Distribution Yield<sup>1</sup>

95%–100%

Forecast FY21 Payout Ratio

\$432m

Portfolio Value

6.43%

Portfolio Cap Rate

\$284m

Net Assets

\$264m

Market Capitalisation<sup>2</sup>

5.4  
years

Portfolio WALE

85%<sup>3</sup>

Portfolio Occupancy

1. Based on the GARDA FY21 forecast distributions per security, divided by the GARDA ASX price of \$1.175, at close on 17 February 2021.

2. Based on approximately 227.6 million stapled securities, multiplied by the GARDA ASX price of \$1.175, at close on 17 February 2021.

3. Established property portfolio (excludes project pipeline assets). Occupancy (by income) as at 31 December 2020. Occupancy excludes two vacant industrial assets that are development projects located at 56 and 59 Peterkin Street, Acacia Ridge.





# Overview

# Highlights

Key outcomes during H1 FY21

## Valuations

- Total portfolio independently valued at **\$430.5 million**, an increase of **\$13.1 million** in the six months since 30 June 2020.
- **0.17%** compression of the portfolio weighted average capitalisation rate from **6.60%** to **6.43%**.

## Divestments – Recycling Capital

- Three non-core assets are presently held for sale. Upon successful divestment the proceeds will be reallocated to the development pipeline.
- Archerfield and Lytton are currently under exclusive dealings and in due diligence.
- Varsity Lakes is currently under a 'put and call' with a potential settlement in mid- May 2021 if the option is exercised.

## Development and Construction

- Construction of the Berrinba industrial building achieved practical completion in November 2020 and was independently valued at **\$11.975 million**.
- Berrinba provides **5,683m<sup>2</sup>** of quality industrial NLA with **52%** of NLA leased to USG Boral on a **5-year** lease.
- The Wacol industrial development is underway following the completion of all bulk earth and civil works in late 2020.
- Wacol Building C (~**6,000m<sup>2</sup>**) is currently under construction. YHI Corporation will start its **10-year** lease upon completion by end of FY21.

## Botanicca 9 Leasing

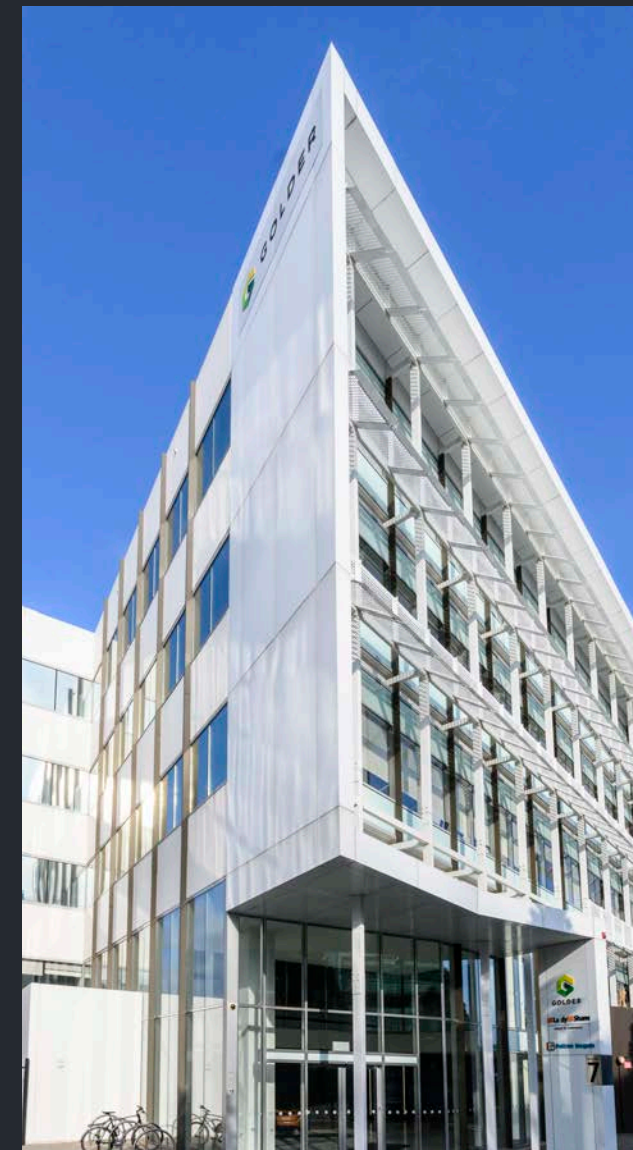
- Fuji Xerox Australia (**Fuji Xerox**), a subsidiary of the **\$21 billion** FUJIFILM Holding Corporation, signed a **7 year** lease<sup>1</sup> commencing 1 July 2021 for approximately **2,400m<sup>2</sup>** at Botanicca 9.

1. Seven-year lease includes a year five break clause in favour of the tenant.

# Funds From Operations (FFO)<sup>1</sup>

	\$000	31 December 2020 \$000	31 December 2019 \$000
<b>FFO</b>		<b>8,792</b>	<b>7,889</b>
Fair value movement in investment properties:			
Increase in independent valuations	11,928		3,310
Acquisition costs	-		(4,560)
Capital additions and capitalised costs	(8,327)		(5,139)
Other	(549)	<b>3,052</b>	(380)
Rental guarantee <sup>2</sup>		<b>(1,000)</b>	-
Fair value movement of derivative financial instrument		<b>237</b>	323
Straight-lining of rent income		<b>735</b>	532
Lease cost and incentives amortisation		<b>(406)</b>	(487)
Rent free income		<b>70</b>	139
Depreciation – property, plant and equipment		<b>(17)</b>	(3)
Movements in right to use assets and lease liabilities		<b>(11)</b>	-
Non-underlying and non-recurring revenue <sup>3</sup>		<b>119</b>	-
Non-underlying and non-recurring expenses <sup>4</sup>		<b>(479)</b>	(1,280)
Distributions on treasury stock and unvested GARDA ESP securities <sup>5</sup>		<b>(652)</b>	(189)
<b>Profit after tax for the half year</b>		<b>10,440</b>	<b>155</b>
<b>Distributions paid and payable</b>		<b>8,195</b>	<b>7,988</b>
<b>Payout ratio</b>		<b>93.2%</b>	<b>100.0%</b>

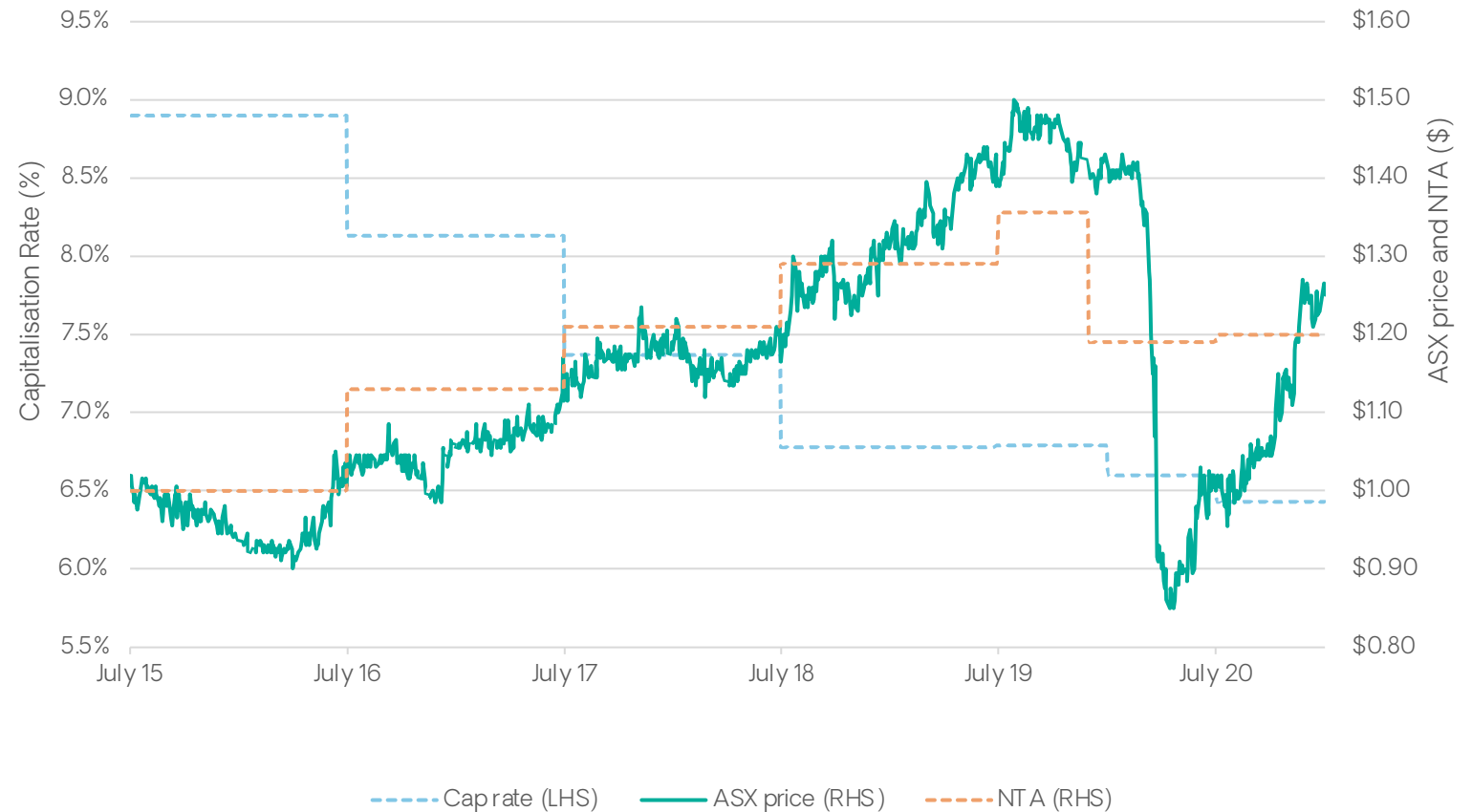
1. FFO is the Group's underlying and recurring earnings from its operations. It is determined by adjusting statutory net profit (under AIFRS) for certain non-cash and other items. FFO has not been audited or reviewed by the auditor of the Group.
2. GARDA's purchases of 56 and 69 Peterkin Street, Acacia Ridge on 5 July 2019 included provision for the receipt by GARDA of \$2 million in rental guarantees at any time in the subsequent two years. In accordance with Australian Accounting Standards, this amount was recorded as an asset in GARDA's FY20 financial statements. In July 2020, GARDA released the rental guarantee into general funds. The Directors consider the rental guarantee to be part of underlying FY21 earnings warranting inclusion in reported FFO. \$1 million of the rental guarantee is being recognised in FFO in H1FY21 with the balance to be recognised in H2FY21.
3. Comprises one-off items of relief, e.g., duty and tax relief, provided by the government in respect of the COVID-19 pandemic.
4. Security-based payments expense. The prior year amount also includes internalisation expenses of \$1,197,000.
5. FFO and distributions are presented on a fully diluted basis such that both include distributions paid on treasury securities and employee security plan securities. Prior period comparative information has been adjusted, where appropriate, to be consistent with treatment in the current period.



# GARDA Performance

ASX price, NTA and capitalisation rate

- GARDA recorded steady and positive year on year NTA growth from its IPO in 2015 to the internalisation in 2019.
- NTA reduced in December 2019 to **\$1.18** per security as a result of the goodwill arising on the internalisation of GARDA's then external management platform.
- NTA appreciation is attributed to the constantly improving property portfolio as GARDA acquired or developed better quality and longer WALE assets.
- This is supported by the steady compression of the portfolio weighted average capitalisation rate by **247** basis points to **6.43%**.
- NAV post internalisation was **\$1.35** per security and has increased to **\$1.36** per security.
- All portfolio properties were independently valued throughout 2020 with compression in capitalisation rates and growth in asset values.
- Current trading price of **\$1.175** represents a **2.1%** discount to NTA of **\$1.20** and **13.6%** discount to NAV of **\$1.36**.





# Property Portfolio

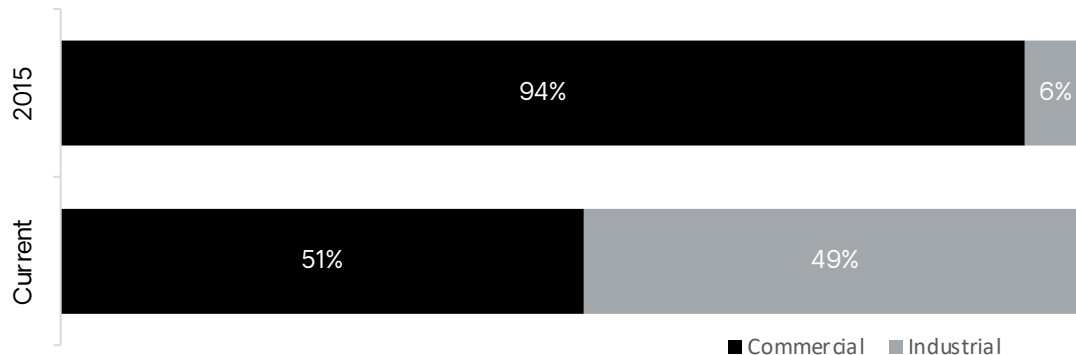
Quality, Resilience, Diversification

**Quality** – The portfolio quality, as measured by the continued compression of the weighted average capitalisation rate, is reflective of both the positive asset outcomes in the established portfolio and the quality of acquisitions and new projects.

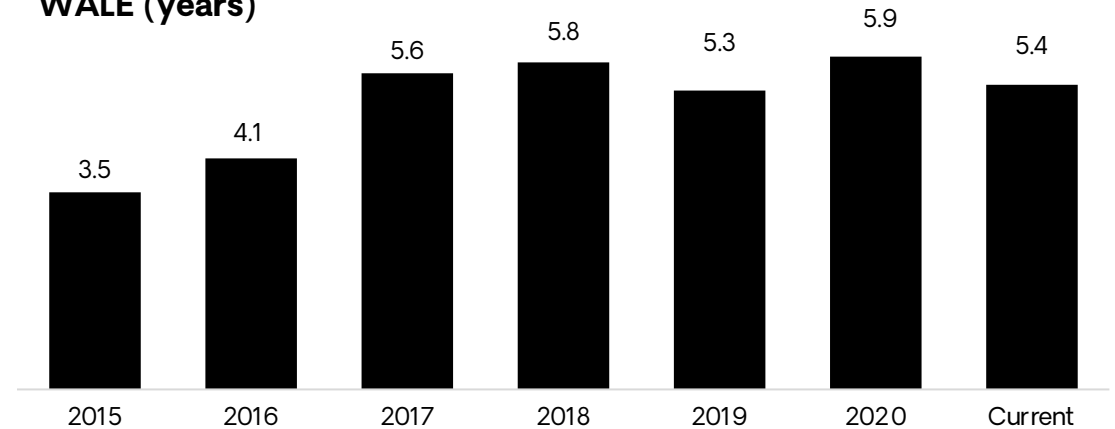
**Resilience** – Improved resilience is demonstrated via the positive trend in WALE to over 5 years and the quality of tenants.

**Diversification** – GARDA has refocused the portfolio on industrial properties which now represent almost **50%** of the portfolio.

Portfolio Value (by sector)



WALE (years)



Portfolio Value (by location)



# Capital Management

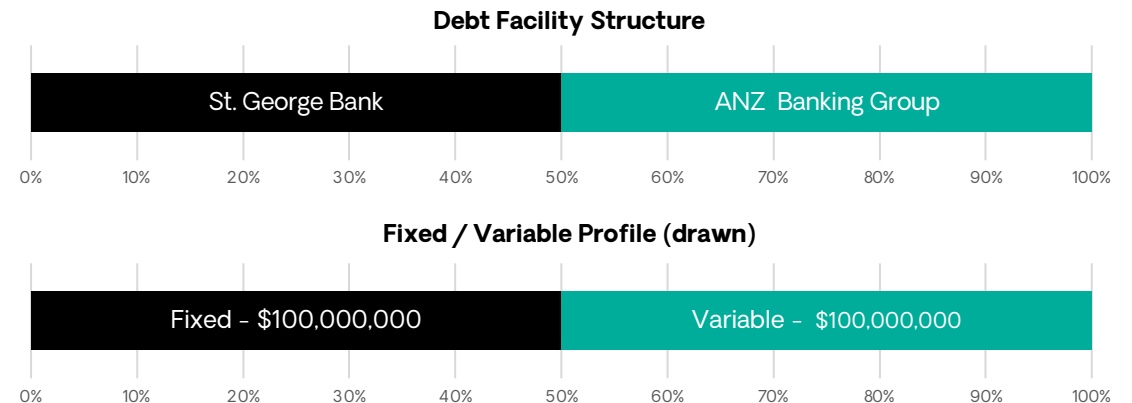
## Debt and equity

- **\$11.9 million** in available debt was drawn during the period to assist with funding of the industrial developments at Berrinba and Wacol, portfolio capital expenditure and debt advisory and lending activities.
- **\$8.2 million** in working cash<sup>1</sup> held at 31 December 2020.
- Liquidity<sup>2</sup> at 31 December 2020 was **\$14.0 million**.
- GARDA's fully drawn all in cost of debt is approximately **2.3%**.
- Current Gearing<sup>3</sup> is **38.9%**.
- GARDA continues to hold **4.2 million** 'treasury securities'.
- Positive long term benchmark rate movement resulted in a positive **\$0.2 million** movement in the interest rate swap liability.

1. Cash and cash equivalents available for deployment.
2. Cash and cash equivalents including those held for regulatory requirements.
3. Calculated as: (total bank debt less cash) divided by (total assets less cash).

### Key Debt Metrics – 31 December 2020

Total debt facilities	\$200 million
Drawn Debt	\$200 million
Cash	\$8.2 million
Weighted average cost of debt (fully drawn)	2.3%
Weighted average cost duration	2.2 years
Hedged debt	\$100 million
Weighted average hedge duration	7.1 years
Gearing	38.9%



5.4  
Years

Portfolio WALE

FUJI  
XEROX

Foundation Tenant  
at Botanicca 9

14,863m<sup>2</sup>

of leasing finalised

GARDA

# Leasing

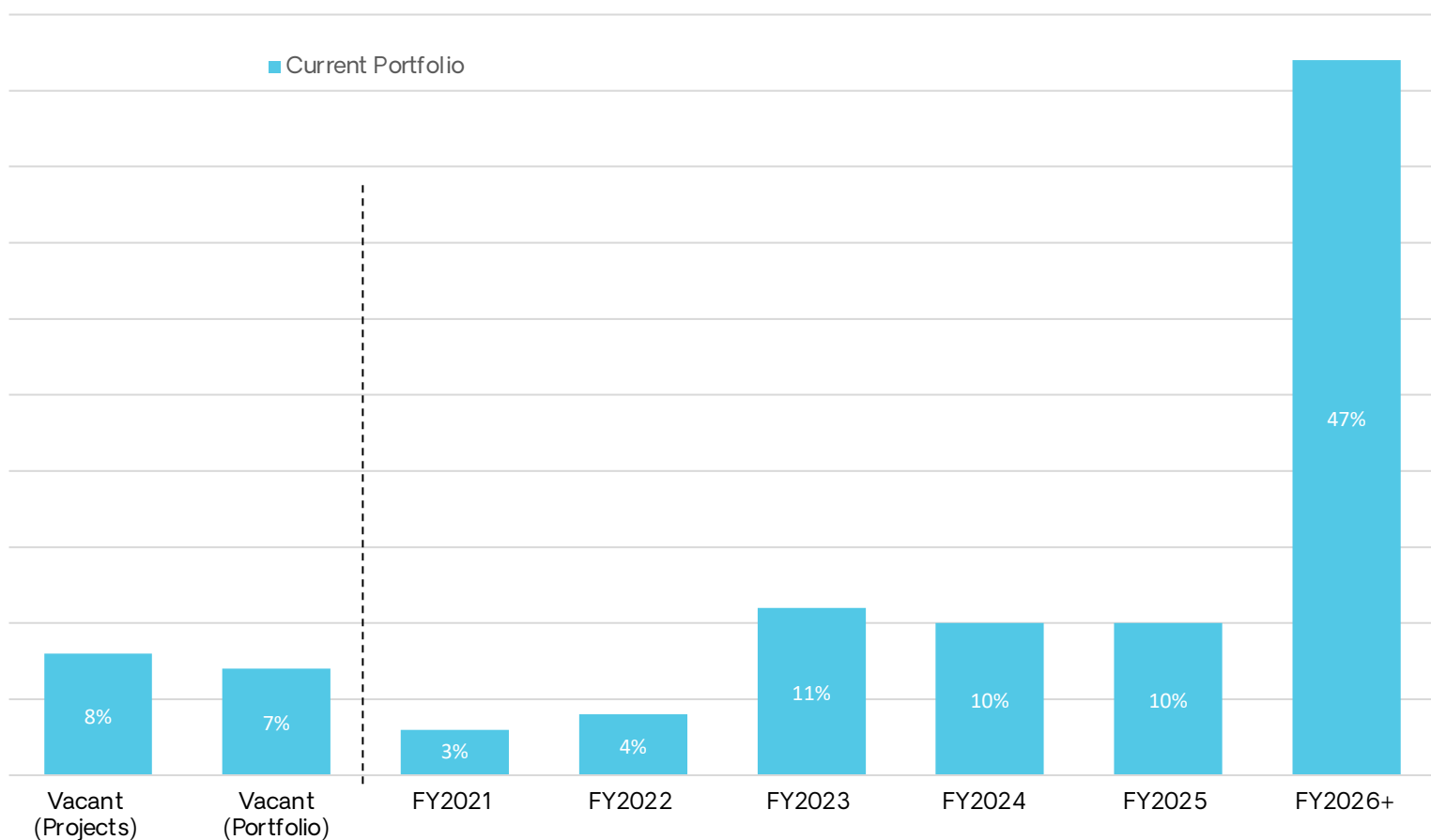
Foundation tenant commitment at Botanicca 9.

- Current portfolio WALE of **5.4 years** and occupancy increasing to **85%** following an active leasing period.
- Fuji Xerox, a subsidiary of the **\$21 billion** FUJIFILM Holding Corporation, signed a **7 year lease** commencing 1 July 2021 for approximately **2,400m<sup>2</sup>** at Botanicca 9.
- Inquiry for A-grade commercial office accommodation in the Melbourne city-fringe is expected to improve. GARDA is seeking to lease the balance of the building's NLA **4,626m<sup>2</sup>** over the course of CY21.
- Queensland government leasing was finalised in Cairns including a **3,456m<sup>2</sup>** extension until November 2028.
- USG Boral commenced its **5 year lease** at the recently completed Berrinba industrial building.
- **3,324m<sup>2</sup>** of industrial warehouse renewed for between one and two years across two tenants at Archerfield.
- Limited near term expiry with **3%** of income due to expire over the remainder of FY21 and **4%** in FY22.

- The remaining vacancies at Botanicca 9 (**4,626m<sup>2</sup>**) and Berrinba (**2,654m<sup>2</sup>**) represent **7%** and **1%** of current project vacancy.
- FY21 expiry is largely Austrans, a tenant at 38 Peterkin Street, Acacia Ridge. Austrans has signed a new **7 year lease** for the yet to be developed 69 Peterkin Street, Acacia Ridge. The lease will commence upon completion of construction and Austrans will remain on a month to month lease for their current tenancy until that time.
- FY22 expiry includes:
  - Cairns (**1,589m<sup>2</sup>**) including Qld government, ARUP and Marsh Insurance.
  - Archerfield (**3,369m<sup>2</sup>**) across three tenants.

# At Risk Income

Lease expiry profile<sup>1,2</sup>



1. At risk income assessed as % portfolio gross income

2. Vacancy excludes development assets located at 56 and 69 Peterkin Street, Acacia Ridge.



# Property Portfolio



# Property Portfolio

Integrated, commercial and industrial property platform



## Cairns

Cairns, 9-19 Lake Street (**\$61.30m**)

## Mackay

Mackay, 69-79 Diesel Drive (**\$31.0m**)

## Brisbane

Acacia Ridge, 38 Peterkin Street (**\$6.20m**)  
Acacia Ridge, 56 Peterkin Street (**\$7.00m**)  
Acacia Ridge, 69 Peterkin Street (**\$11.20m**)  
Archerfield, 839 Beaudesert Road (**\$6.20m**)  
Berrinba, 1-9 Kellar St (**\$11.98m**)  
Heathwood, 67 Noosa Street (**\$11.80m**)  
Lytton, 142-150 Benjamin Place (**\$8.85m**)  
Morningside, 326 & 340 Thynne Road (**\$41.63m**)  
Pinkenba, 70-82 Main Beach Road (**\$20.50m**)  
Wacol, 41 Bivouac Place (**\$41.00m**)  
Wacol, 498 Progress Road (**\$13.35m<sup>1</sup>**)

## Gold Coast

Varsity Lakes, 154 Varsity Parade (**\$12.02m**)

## Melbourne

Box Hill, 436 Elgar Road (**\$34.28m**)  
Richmond, 572-576 Swan Street (**\$54.00m**)  
Richmond, 588A Swan Street (**\$57.00m**)

1. Construction works totaling \$1.1 million have occurred between the date of the independent valuation and 31 December 2020.

# Property Portfolio

GARDA Property Group



Classification	Property Portfolio	Asset	Valuation Type	Valuation (\$m)	Cap Rate (%)	NLA (m <sup>2</sup> )	WALE	Occupancy	NABERS
Portfolio Assets	Acacia Ridge, 38 Peterkin Street	Industrial	I	6.20	7.25%	4,465	0.1	100%	N/A
	Archerfield, 839 Beaudesert Road	Industrial	I	6.20	7.25%	4,513	0.9	87%	N/A
	Berrinba, 1-9 Kellar Street	Industrial	I	11.98	5.25%	5,683	4.9	52%	N/A
	Box Hill, 436 Elgar Road	Office	D <sup>1</sup>	34.28	6.00%	5,702	6.9	100%	3.0
	Cairns, 9-19 Lake Street	Office	I	61.30	8.25%	14,723	4.6	88%	5.0
	Heathwood, 67 Noosa Street	Industrial	I	11.80	6.50%	6,022	7.2	100%	N/A
	Lytton, 142-150 Benjamin Place	Industrial	D <sup>1</sup>	8.85	7.25%	5,677	2.0	41%	N/A
	Mackay, 69-79 Diesel Drive	Industrial	I	31.00	7.25%	13,843	8.0	100%	N/A
	Morningside, 326 & 340 Thynne Road	Industrial	D <sup>1</sup>	41.63	5.75%	16,797	4.1	100%	N/A
	Pinkenba, 70-82 Main Beach Road	Industrial	D <sup>1</sup>	20.50	6.75%	40,490	12.6	100%	N/A
	Richmond, 572-576 Swan Street	Office	I	54.00	5.50%	6,587	2.9	100%	5.0
	Richmond, 588A Swan Street	Office	I	57.00	5.50%	7,071	4.9	47%	N/A
	Varsity Lakes, 154 Varsity Parade	Office	D <sup>1</sup>	12.02	8.50%	3,994	2.4	60%	6.0
	Wacol, 41 Bivouac Place	Industrial	I	41.00	5.50%	9,994	7.5	100%	N/A
Projects	Acacia Ridge, 56 Peterkin Street	Industrial	I	7.00	7.00%	4,794	-	-	N/A
	Acacia Ridge, 69 Peterkin Street	Industrial	I	11.20	7.00%	7,412	-	-	N/A
	Wacol, 498 Progress Road	Industrial	I	13.35 <sup>2</sup>	N/A	N/A	-	-	N/A
				<b>429.29</b>	<b>6.43%</b>	<b>157,767</b>	<b>5.4</b>	<b>85%</b>	

1. Directors' valuation is defined as the 30 June 2020 independent valuation plus value accretive additions.

2. Construction works totaling \$1.1 million have been expended between the date of the independent valuation and 31 December 2020.

D = Directors' I = Independent

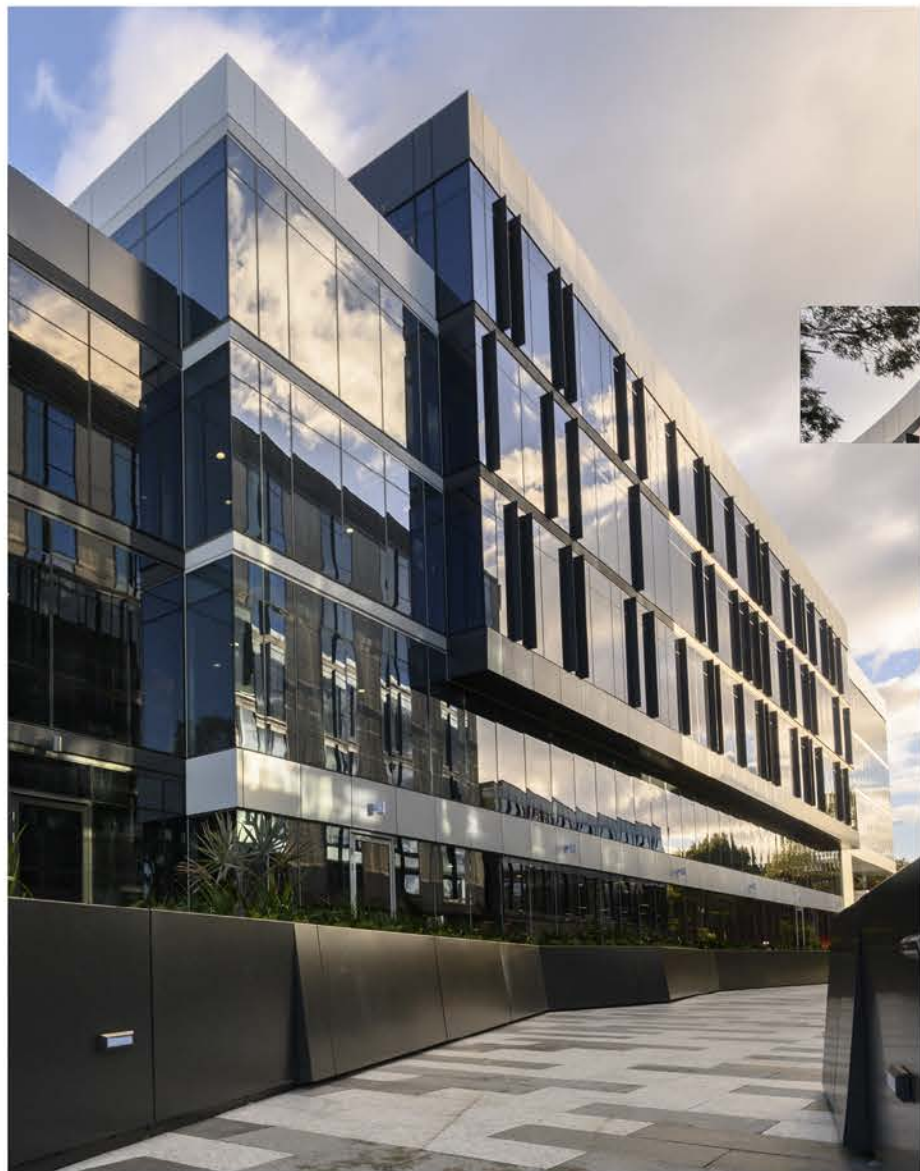
# Property Portfolio



Top 10 tenants<sup>1</sup>

Tenant	Property	Industry	% of Portfolio Gross Income	Expiry
J Blackwood & Sons	Mackay	Industrials	9.8%	Jan-29
Planet Innovation	Box Hill	Science and Tech	9.8%	Nov-27
Volvo Group	Wacol	Auto	9.2%	Jul-28
Qld Government (DTMR)	Cairns	Government	7.1%	Nov-28
Komatsu	Morningside	Industrials	6.7%	Jul-23
Golder Associates	Richmond	Professional Services	6.4%	Jan-25
Byrne Group	Pinkenba	Industrials	5.6%	Aug-33
Fuji Xerox	Richmond	Professional Services	5.1%	Jun-26
Fulton Hogan	Richmond	Professional Services	3.6%	Jun-22
McLardy McShane	Richmond	Professional Services	3.4%	Jan-23

1. Annualised pro-forma gross income, commencing 1 January 2021.



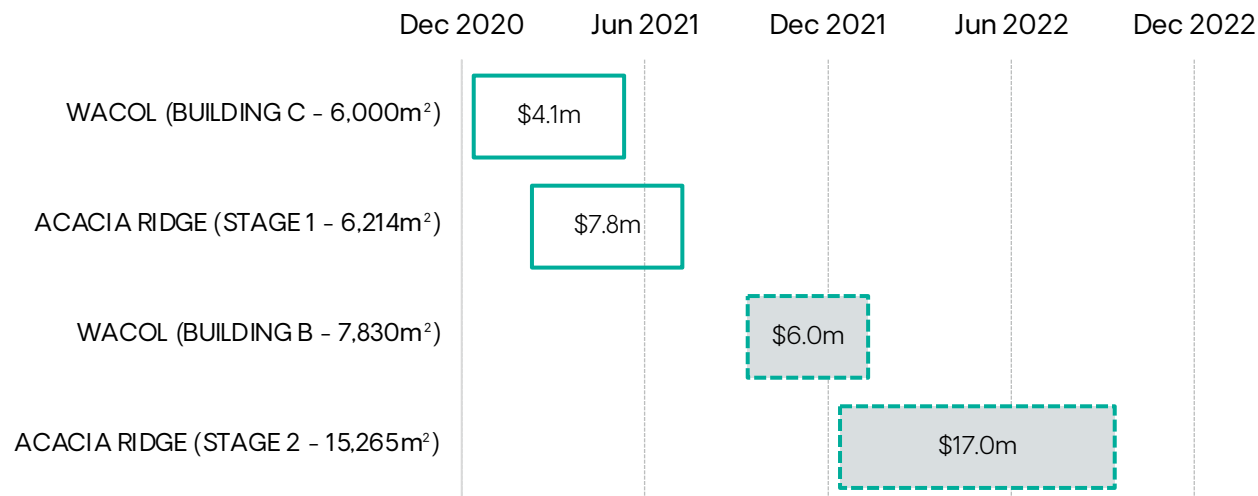
# Development Projects

# Project Pipeline

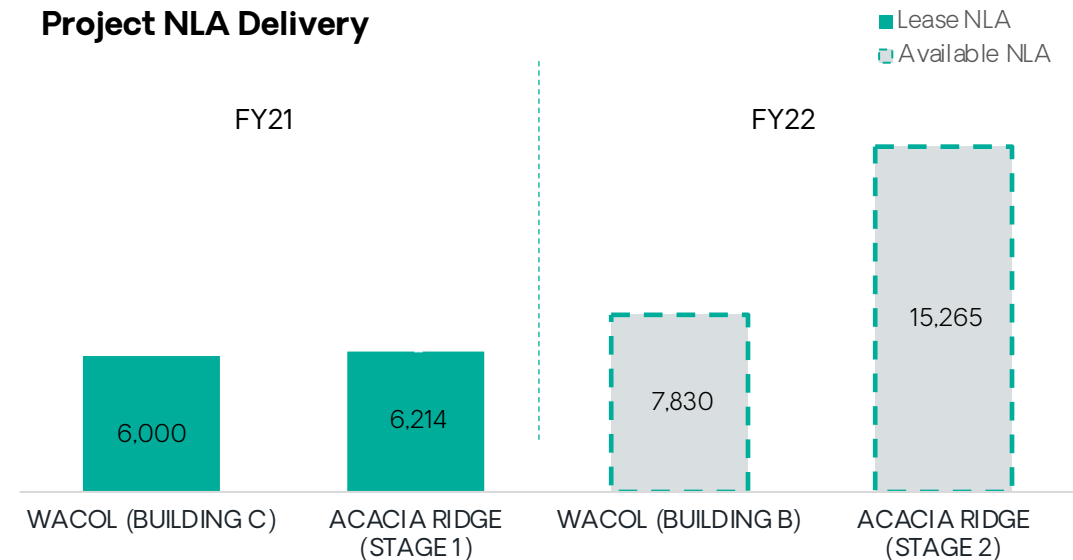
## Brisbane Industrial

- An industrial building at Berrinba (Queensland) offering **5,683m<sup>2</sup>** of prime space was completed in November 2020 with USG Boral commencing a **5 year lease** for approximately half the facility. Berrinba was recently independently valued at **\$11.975 million** on a **5.25%** capitalisation rate.
- All bulk earth and civils works at Progress Road, Wacol were completed in December 2020 with Building C under construction and expected to deliver the pre-committed tenant (YHI Corporation) approximately **6,000m<sup>2</sup>** of high quality industrial space by June 2021.
- Acacia Ridge (stage 1) has been re-scoped to a two warehouse construction, delivering **6,214m<sup>2</sup>** and **6,000m<sup>2</sup>**.
- Cost to complete for both Wacol (building C) and Acacia Ridge (stage 1) is currently forecast at **\$11.9 million**.

### Forecast Pipeline CAPEX Deployment



### Project NLA Delivery





# Completed Project

## Berrinba Industrial Development

- 1-9 Kellar St, Berrinba is located within the established industrial estate 'SouthWest 1 Enterprise Park', approximately **23 kilometres south of the Brisbane CBD**, with nearby access to the Logan Motorway.
- The land was initially acquired for **\$3.0 million**.
- Following completion, the facility was independently valued at **\$11.975 million**.
- Total cost of the development including land acquisition was **\$11.65 million**.
- USG Boral started a new **5 year lease** for approximately half of the building (**2,925m<sup>2</sup>**) in **November 2020**.
- The balance of NLA has experienced strong inquiry and a number of prospective tenants are interested in leasing the remaining space.



# Active Project

## Wacol Industrial Development

- 'Pinnacle on Progress' will provide approximately **17,077m<sup>2</sup>** of prime space over three separate buildings, specifically targeting tenants in the **3,000m<sup>2</sup>** to **8,000m<sup>2</sup>** range.
- Development is programmed to occur in three stages, the first delivering approximately **6,000m<sup>2</sup>** across building C, **7,830m<sup>2</sup>** in Building B and finally approximately **3,247m<sup>2</sup>** in building A fronting Progress Road.
- The land acquisition originally cost **\$5.9 million**.
- Total cost of the land acquisition and all bulk earth and civil works required to prepare a development ready site was **\$12.8 million**.
- Following completion of all the required bulk and civil works, the site was independently valued at **\$13.35 million**.
- Construction on building C started in December 2020 and GARDA expects to deploy a further **\$4.1 million** to complete construction.
- YHI Corporation (Wheeldemon) has committed to a **10 year lease** for all of building C (**6,000m<sup>2</sup>**) to begin upon completion of construction.





# Project Pipeline

## Acacia Ridge Industrial Development

- The three Acacia Ridge assets are co-located transport orientated warehouse properties bordering the Acacia Ridge Intermodal Rail Terminal.
- The three assets provide **61,400m<sup>2</sup>** of land, allowing for approximately **27,000m<sup>2</sup>** of new warehouse to be developed across multiple stages.
- The first development stage at 69 Peterkin Street will deliver two separate warehouses. The first warehouse built will provide **6,214m<sup>2</sup>** and the second warehouse will provide approximately **6,000m<sup>2</sup>**.
- Austrans, an existing tenant at **38 Peterkin Street**, has committed to a **7 year lease** for the first **6,214m<sup>2</sup>** warehouse, to begin upon completion.
- Construction of stage 1 is expected to commence in March 2021 with demolition of the existing building. Total development costs for the Austrans facility is forecast at approximately **\$7.8 million**.
- 38 and 56 Peterkin St will then be developed as stage 2 and will deliver approximately **15,265m<sup>2</sup>**.





# Guidance



# Guidance

## Distributions

- FY21 distribution guidance reaffirmed at **\$0.072** per security.
- Distributions of **\$0.018** per security to be paid quarterly.
- Distributions of **\$0.036** per security were declared in the half year reporting period, representing a **93.2%** half-year payout ratio.
- Expected tax advantaged income of approximately **73%**.
- At current ASX trading price of **\$1.175** per security, reflects a distribution yield of **6.1%**.
- Full year distribution payout ratio is expected between **95%** and **100%** of earnings.







# Financial Information

# Income Statement

Consolidated Statement of Profit or Loss		31 December 2020 \$000	31 December 2019 \$000
Revenue	(A)	15,280	13,938
Other income	(B)	225	659
Property expenses		(3,442)	(3,291)
Finance costs	(C)	(1,832)	(1,445)
Employee benefits expense	(D)	(1,348)	(197)
Corporate and trust administration expenses	(E)	(934)	(1,779)
Depreciation		(84)	(3)
Internalisation expenses		-	(1,197)
Credit loss expense	(F)	(369)	-
Security based payments expense	(G)	(479)	(82)
Net profit/(loss) on financial instrument held at fair value through profit and loss		237	323
Fair value movement in investment properties	(H)	3,052	(6,769)
<b>Profit before income tax</b>		<b>10,306</b>	<b>157</b>
Income tax benefit / (expenses)		134	(2)
<b>Profit after income tax</b>		<b>10,440</b>	<b>155</b>

- (A) Revenue increased by approximately **\$1.3 million** which is attributable to:
- positive leasing outcomes of previously vacant space, fixed annual rent increases and an increase in recovery income (**\$0.4 million**); and
  - Interest and fees received from debt advisory and loans provided to external parties (**\$0.8 million**).
- (B) Prior comparative period included **\$0.5 million** of non-recurring litigation proceeds.
- (C) Although drawn debt increased from **\$168.1 million to \$200.0 million** during the period, interest expense decreased by **\$0.6 million** due to a decrease in the cost of funding. This was offset by a decrease of **\$0.8 million** in interest capitalised to development projects.
- (D) Prior comparative period included one month of corporate employee expenses following the internalisation in November 2019.
- (E) Prior comparative period included **\$1.1 million** in management fees that now consolidate out as an internalised group.
- (F) **\$0.4 million** provision for capitalised interest revenue previously accrued as part of a small development loan provided by GARDA to an external third party. The loan capital has been repaid and accrued interest is being repaid from remaining lot sales.
- (G) **\$0.5 million** non-cash expense arising from security based payment transactions associated with the **13.4 million unvested** employee security plan (ESP) securities. The prior comparative period only included one month of non-cash expense following the internalisation.
- (H) **\$3.2 million** in fair value movements via a **\$11.9 million** increase in independent values offset by **\$8.3 million** in capital additions and capitalised costs.

# Balance Sheet

Consolidated Statement of Balance Sheet <sup>1</sup>	31 December 2020 \$000	30 June 2020 \$000
<b>Assets</b>		
Cash and cash equivalents	14,004	20,488
Trade and other receivables (A)	12,883	5,291
Assets held for sale (B)	27,069	-
<b>Total current assets</b>	<b>53,956</b>	<b>25,779</b>
Investment properties	404,578	417,447
Property, plant and equipment	66	54
Right-of-use assets	336	403
Intangible assets	33,586	33,586
Deferred tax assets	86	-
Total non-current assets	438,652	451,490
<b>Total assets</b>	<b>492,608</b>	<b>477,269</b>
<b>Liabilities</b>		
Trade and other payables	2,862	3,338
Contract liabilities (C)	1,299	605
Distribution payable	3,780	3,763
Lease liabilities	118	115
Current tax liabilities	2	2
<b>Total current liabilities</b>	<b>8,061</b>	<b>7,823</b>
Tenant security deposits	233	350
Borrowings (D)	198,813	186,653
Derivative financial instrument (E)	1,299	1,536
Provisions	60	48
Lease liabilities	191	252
Deferred tax liability	-	49
<b>Total non-current liabilities</b>	<b>200,596</b>	<b>188,888</b>
<b>Total liabilities</b>	<b>208,657</b>	<b>196,711</b>
<b>NET ASSETS</b>	<b>283,951</b>	<b>280,558</b>

1. 30 June 2020 position is post internalisation which was implemented on 29 November 2019.

- (A) Trade and other receivables includes **\$8.9 million** in loans provided to external third parties, **\$2.6 million** in prepayments, **\$1.5 million** in rent receivable and **\$0.3 million** in litigation proceeds receivable.
- (B) Archerfield, Lytton and Varsity Lakes are properties that are either under contract or in due diligence. The three assets are held at book value of **\$27.1 million**.
- (C) Contract liabilities of **\$1.3 million** represents the reversal of tenant rental pre-payments that have been captured as an asset in cash.
- (D) Non-current borrowings increased by **\$11.8 million** during the reporting period which assisted in completion of Berrinba construction, bulk earth and civil works at Wacol, portfolio capital expenditure and capital for debt advisory and lending activities.
- (E) A positive **\$0.2 million** mark-to-market movement of **\$100 million** worth of interest rates swaps.



# Funds From Operations (FFO)<sup>1</sup>

	31 December 2020 \$000	31 December 2019 \$000
<b>FFO</b>	<b>8,792</b>	<b>7,889</b>
Fair value movement in investment properties:		
Increase in independent valuations	11,928	3,310
Acquisition costs	-	(4,560)
Capital additions and capitalised costs	(8,327)	(5,139)
Other	(549)	(380)
Rental guarantee <sup>2</sup>	(1,000)	-
Fair value movement of derivative financial instrument	237	323
Straight-lining of rent income	735	532
Lease cost and incentives amortisation	(406)	(487)
Rent free income	70	139
Depreciation – Property, plant and equipment	(17)	(3)
Movements in right to use assets and lease liabilities	(11)	-
Non-underlying and non-recurring revenue <sup>3</sup>	119	-
Non-underlying and non-recurring expenses <sup>4</sup>	(479)	(1,280)
Distributions on treasury stock and unvested GARDA ESP securities <sup>5</sup>	(652)	(189)
<b>Profit after tax for the half year</b>	<b>10,440</b>	<b>155</b>
<b>Distributions paid and payable</b>	<b>8,195</b>	<b>7,988</b>
<b>Payout ratio</b>	<b>93.2%</b>	<b>100.0%</b>

1. FFO is the Group's underlying and recurring earnings from its operations. It is determined by adjusting statutory net profit (under AIFRS) for certain non-cash and other items. FFO has not been audited or reviewed by the auditor of the Group.
2. GARDA's purchases of 56 and 69 Peterkin Street, Acacia Ridge on 5 July 2019 included provision for the receipt by GARDA of \$2 million in rental guarantees at any time in the subsequent two years. In accordance with Australian Accounting Standards, this amount was recorded as an asset in GARDA's FY20 financial statements. In July 2020, GARDA released the rental guarantee into general funds. The Directors consider the rental guarantee to be part of underlying FY21 earnings warranting inclusion in reported FFO. \$1 million of the rental guarantee is being recognised in FFO in H1FY21 with the balance to be recognised in H2FY21.
3. Comprises one-off items of relief, e.g., duty and tax relief, provided by the government in respect of the COVID-19 pandemic.
4. Security-based payments expense. The prior year amount also includes internalisation expenses of \$1,197,000.
5. FFO and distributions are presented on a fully diluted basis such that both include distributions paid on treasury securities and employee security plan securities. Prior period comparative information has been adjusted, where appropriate, to be consistent with treatment in the current period.





GARDA