GARDA

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Dear Securityholders,

FY26 REVIEW & OUTLOOK

I am pleased to present Garda's Annual Report for the year ended 30 June 2026 (**FY26**).

Garda has delivered strong operational outcomes through the year with material increases in Funds from Operations (FFO) and distributions. We were able to issue increased FFO and distribution guidance at the half year and further improve on those expectations at the full year.

These outcomes were derived from the reallocation of ~$190 million of capital from the North Lakes and Cairns asset sales, which settled in the first half, into debt reduction and our higher-returning lending activities.

At year end, 27% (FY25: 7%) of Group assets were allocated to lending and this generated 49% of Group revenue while our property portfolio represented 70% (FY25: 83%) of Group assets and also generated 49% of Group revenue.

FFO for the year of 11.1 cents per security was 54% above FY25 FFO per security, also outperforming our own initial FY26 guidance by 24%.

Quarterly distributions were raised mid-year from 2.0 cents per security to 2.25 cents per security such that owners received 8.5 cents per security for the period, an increase of 18% from FY25 and reflecting a 77% payout ratio of FFO.

For the first year since 2022, our property portfolio and our NTA per security both increased — the portfolio by $9.9 million or 3.0%, and NTA by 3.0 cents — to $1.64 per security.

Notwithstanding these improvements our securities closed at $1.03 at year end, a material discount of 37% to NTA and frustratingly 19 cents below our trading price of $1.22 at the beginning of the year.

To put that in context: at $1.03, our securities could be acquired on market for roughly 63 cents per dollar of net assets. Industrial assets comparable to ours continue to transact privately at initial yields below 5.5%, while our closing security price implies a capitalisation rate on our portfolio approaching 9%.

Our aim has been to confront our own and the broader REIT sector's continuing share price underperformance by:

- retaining only our best property assets in the best performing rental growth markets;
- reducing our gearing; and
- allocating greater capital to higher returning lending,

so that, along with a relatively strong asset base and balance sheet, sufficient FFO could be generated to comfortably distribute at a rate of 7% of NTA per security.

This year our FFO reflected a 6.8% yield on NTA per security.

We are focused on growing FFO sufficiently in the near to medium term to achieve that target distribution rate of 7% of NTA, which would be 11.5 cents per security.

This aspiration can be achieved via further lending activity and/or successful leasing outcomes at the Morningside and Acacia Ridge properties.

It is worth pausing on the longer journey. Garda listed in mid-2015 and has paid a distribution in every year since — exceeding $150 million returned to securityholders in cash — while building NTA per security to a peak of $2.05 in 2022 and, following the sector wide revaluation of recent years, $1.64 today.

The path has not been straight, but the combination of consistent distributions and asset backing has generated real returns for long term holders.

I will take the opportunity this year to talk more comprehensively about how we think about our business and the activities that we move between.

Our business

The Board, senior executive and I collectively hold significant shareholdings in our business. We have in-house skills to buy, develop, reposition, lend, manage, lease and divest real estate and we are disciplined at allocating capital to those activities and the risks we want to take.

Garda allocates capital to real estate rather than committing to any single form of investment. We will own property when development or acquisition offers the best risk-adjusted return. We will lend when it offers better returns for the risk taken and we will rebalance and move between ownership and lending as the cycle and market conditions change.

This is unusual for a small listed property group, and a real source of advantage. Most trusts are structurally tied to owning bricks and mortar - we are not. Over time, our ambition is for Garda to be known as a superior allocator of real estate capital, not simply as the owner of particular buildings.

Operating environment

We are again this year faced with a deteriorating operating environment. Persistently high inflation has caused three interest rate rises already and potentially there are more to come. The global uncertainty caused largely by the Middle East conflict, together with some likely second order consequences of Australia's bold federal budget, make this a challenging operating environment for many businesses, and that is particularly the case for interest rate sensitive real estate ownership.

We have concentrated our investment focus back to Southeast Queensland where a number of strong themes enthuse us, including significant infrastructure and Olympic Games spend, population growth, limited land supply, excess demand for housing, and replacement costs for industrial buildings well above current values which is causing faltering built form supply and providing strong rental growth conditions.

The past few years

The onset of inflation during 2022 (which is still to be properly contained) caused a swift and material increase in both the cost of capital and in construction and delivery costs of property projects.

These combined factors brought about material pressure on asset values, particularly in the office sector, further compounded for assets located in the faltering Melbourne market, where the previously compelling reasons to invest (population growth, low vacancy and supply — all prior to large state tax changes) quickly fell away and turned negative.

Develop-to-own was no longer compelling in this environment.

At that time, within our portfolio we held ~$200 million of office assets in Melbourne and were active on three develop-to-own projects in Brisbane. Our gearing was at the higher end of our acceptable range, asset values were falling, interest rates were rising and the income from our properties was largely fixed.

More helpfully, industrial market rents were rising and have largely offset approximately 150bps in capitalisation rate decompression over the past few years.

This was the start of a four-year (and continuing) period where REIT trading prices came under sustained pressure as asset values were questioned and future earnings pressured by the higher cost of capital.

Although decisions can be made quickly, execution in real estate can take time, sometimes years rather than months.

Our decisions were simple: protect the balance sheet by removing the assets least likely to perform and retaining the best in the best markets; reduce our exposure to variable interest rate debt; reduce future funding needs and gearing; and only then allocate greater capital to higher earning lending.

In practice the key actions were:

- divestiture of the Melbourne portfolio, a bitter cost at the time ($60 million below our highest book value and $10 million below our cash costs) but a decision I have been thankful for every day since as that market continued to worsen;

- divestiture of develop-to-own sites that were not initiated (Wacol);
- completion of works on the North Lakes land and divestiture;
- completion of the Acacia Ridge building and leasing;
- divestiture of the Cairns office tower; and
- allocation of greater capital to lending.

Save for the Melbourne portfolio, all asset sales were completed at or about book value.

Today, gearing is modest at 29.8%, and last year's FFO yield on NTA was 6.8%. We are working hard to deliver on our distribution aspiration of 7% on NTA in the short to medium term.

Our activities

The activities that we expect to allocate capital to over time include:

i) lending to residential and industrial developments;

ii) industrial property ownership; and

iii) industrial property develop-to-own.

We believe the dynamics of the Southeast Queensland market we know best are very compelling, and our activities are now predominantly focused in this location.

i) Lending

We originate, structure and underwrite debt for residential and industrial development projects, with our activities centred on south-east Queensland. We participate right across the capital stack — senior, junior, mezzanine and preferred equity.

Loans are typically short, with terms of 12 to 18 months; they have multiple entry and exit points, and they generate material earnings from only a moderate amount of capital. Loans are provided for site acquisition, construction and development, and residual stock.

We deliberately seek to allocate a portion of our capital to early stage and high leverage positions, receiving what we consider to be compelling returns relative to the risk. It is our expertise in real estate that assists us to select individual projects, identify the risks and act as a capital partner to the developer in the delivery of a project.

We take a broad cross section of risk with about 68% of our loan book in senior debt type positions at LVRs up to 70%. The balance of 32% of the loan book seeks out early stage (pre-DA and/or pre-construction) and higher-leverage positions that generate high returns, including, on some transactions, a share of project profit above an agreed hurdle.

Garda continued to increase its lending activities through the year, with $134 million advanced at 30 June 2026. Our origination capability was demonstrated by prompt redeployment of capital post asset sales during the year, which has been the significant contributor to our strong financial results.

With our current combination of assets, we were effectively fully deployed at year end, however this capital was contributing for only a portion of FY26. FY27 will provide the opportunity for our capital to be deployed in full for the entire period. Our task is to sensibly manage loan run-off during the year, matching with future redeployment.

Crucially, because we are an experienced property owner and developer with in-house capability, we can identify problems early and, if it becomes necessary, step in and preserve our capital.

Risk

Lending is not without risk. Development is cyclical, borrowers do fail, and a material downturn would test both our security and skills in taking over projects. However, it is our property skills and expertise that give us the confidence to manage our exposures.

We are not a widely diversified portfolio of senior loans. We seek out risk and return that we believe is compelling and manageable, and do take concentrated positions in individual projects, borrowers or sectors over varying loan sizes. We are largely exposed to southeast Queensland only.

We think about our exposures as a proportion of total Group assets and particularly focus on any portion of individual loans, and the portion of our loan book that is early stage or higher leverage. At year end, this was approximately $63 million or 13% of our $500 million gross assets.

You should expect that, over a full cycle, not every loan will perform — our objective is to be paid more than enough for that risk, which I firmly believe we are.

ii) Ownership

Garda owns a young, high-quality portfolio of nine industrial assets in Brisbane, largely delivered in-house via our “develop-to-own” activities.

Valuations

Portfolio valuations increased by $9.9 million to $340.6 million, a 3.0% increase on the prior year. This is the first overall increase since 2022 — driven by market rental growth even as capitalisation rates held broadly flat at a weighted average capitalisation rate of 5.88% (WACR).

Leasing

O’Brien Glass committed to approximately half of our 38-56 Peterkin Street property, occupying 6,754m^2 on a ten-year lease from 1 July 2026. Our task now is to promptly bring about the leasing of the balance 8,018m^2.

Our original tenant at the Pinkenba property failed during the period and the liquidators to that business disclaimed the lease in early July 2026. We hold a bank guarantee that represents approximately eleven months’ rent and we have commenced a re-leasing program.

Projects

Morningside, the largest asset both by size and value, has been put into project this year. Komatsu, which had occupied the main 11,475m^2 building for many years, vacated in April (rent paid until lease expiry in July), which has allowed Garda to instigate a ~6,100m^2 extension of the building and a refurbishment of the existing improvements.

In total ~$14 million will be invested and overall rent is forecast to double from $2.1 million to $4.2 million per annum, a headline yield of 15% (increased rent) on total cost (both extension and refit). Our long-term building partner Spaceframe has been appointed to undertake the works which are due to be completed by December this year. Initial leasing interest is strong, driven by the quality of the location and the attributes of the property.

Divestments

The sale of our two previously largest assets, Cairns Corporate Tower ($77.5 million) and the North Lakes industrial land ($113.6 million), settled on 1 October and 19 November 2025 respectively, with sale proceeds applied immediately to variable interest rate debt reduction.

Market

Industrial land constraints persist and land values continue to increase, particularly for smaller parcels. Construction costs have stabilised with normal rates of escalation.

Industrial leasing activity is reasonable, and rents ($/m^2) continue to hold but will need to increase further to allow future built form supply.

Supply of new product is now slowing and what is being delivered is largely committed. These factors are likely to support continuing market rent growth for some time.

iii) Develop-to-Own

The property market typically displays two types of acquisition environments: one where it is cheaper to build than it is to buy, or conversely cheaper to buy than it is to build.

Our develop-to-own activity worked in the cheaper to build than buy environment. It was intended to be an asset creation (procurement) process that provided better “yield on cost” than an acquisition yield on price, particularly when stamp duty and acquisition costs were factored in. In addition, it provided the opportunity to create true owner’s quality buildings:

i) designed generously:
    a) this does not simply mean expensive or fashionable finishes;
    b) it means a product that is timeless, elegant and will stand the test of time. This may include ample hardstand, circulation or turning circles, better than bare minimum slab thickness, internal height, size of awnings, internal span, etc; and
ii) with a quality build, intended for longevity, flexibility and low maintenance.

Develop-to-own assets did not have a sole focus on margin; rather, margin was “distributed” to design and quality at the build stage. In turn, quality assets lease well, last longer, are cheaper to maintain and value well.

Last year we communicated that develop-to-own activities were marginal at best as yield-on-cost was simply not compelling – in broad terms in line with the all-in cost of variable rate debt, i.e. the entire exercise was being completed to hopefully meet the interest cost of doing so.

We believe yield on cost outcomes should be at least ~7.0%, noting that the all-in cost of variable rate debt is around 6% and valuation capitalisation rates are also around 6%. The increase in the cost of capital throughout FY26 further affirms this and places upwards pressure on it.

It is unlikely that Garda will engage in further develop-to-own projects while the cost-of-capital and delivery cost environment persists.

It is pertinent to reflect on our history in this activity, noting that $295 million in total (debt and equity) was invested into eight projects, generating $59 million of surplus value upon completion. For a business with $330 million of equity, this activity has been a more than significant contributor to our wealth and one we will happily allocate capital to again in the future if conditions are appropriate.

Looking forward

The public market continues to mark down our securities, which we acknowledge may be impacted by company-specific factors, however we recognise that our security price performance remains broadly in line with many listed REITs.

Notwithstanding our FFO (54%) and distribution (18%) growth per security over the last year, and our expectation of maintaining and aspiring to improve our FFO and distributions again this year, our trading price is not something we can ultimately control in the short term.

We believe our net asset value is solid: private-market values for our property assets have resumed rising, our property valuations are up for the first time since 2022, and our balance sheet is sensibly geared.

The majority (68%) of our lending activities are senior debt-like within 70% LVR and the balance is deliberately allocated to early stage or higher leverage positions.

To close the discount, we must grow earnings and distributions and demonstrate, transaction by transaction (but more importantly over the full cycle), that we allocate capital well.

Beyond FY27, our ambition is greater. Our lending is currently constrained by the size of our balance sheet, while demand for our debt capital exceeds what we can supply. Partnering with aligned external capital — particularly for senior tranches under our single security structure — would allow the lending business to grow beyond the limits of our own equity and add an earnings stream that does not depend on owning assets.

Looking into FY27, key focuses for the team will include:

The business and the team

- A capital-allocation and lending business needs strong origination, underwriting, documentation, servicing and risk systems.
- We will invest in people so that our operations are sustainable and can generate superior returns through the cycle.
- People are both our biggest asset and the predominant cost to our business.
- I am acutely conscious that overheads are a direct deduction from returns, yet returns are driven by the contribution of our people.

Lending

- Should any property asset sales occur, excess capital, post debt reduction, will likely be directed to lending.
- Manage the run-off and redeployment of the loan book, noting that up to $90 million may be available by Q4FY27.

Property

- Asset sales will be considered, particularly where asset-specific positioning or events dictate and compelling value can be achieved.
- Deliver the Morningside refit (11,475m^2) and extension (6,000m^2) which are due for completion around year end, and the associated leasing ($4.2 million per annum).
- Lease the balance 8,018m^2 at 38-56 Peterkin Street, Acacia Ridge ($1.4 million per annum).
- Lease the Pinkenba property - largely 4ha of hardstand (~$2 million per annum).

We have a moderately geared group combining a high-returning lending business with real competitive advantages; a high-quality pure-play industrial portfolio in one of the country's strongest markets; an excellent team; and a management group whose own capital sits alongside yours.

Thank you for your continued support, and for entrusting us with your capital. I look forward to writing to you again next year and, I hope, to reporting that the gap between Garda's price and its worth has begun to close.

Matthew Madsen
Executive Chairman