

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

RECONCILIATION OF NET PROFIT TO AFFO

FOR THE PERIOD ENDED 31 OCTOBER 2018

	\$'000
Net profit before tax	6,432
Revaluation of investment property	(5,328)
Change in fair value of interest rate swaps	581
Gain on disposal of investment property	-
Initial finance costs amortised	44
Accrual for fixed rental growth	(46)
Amortisation of incentives and leasing costs	-
Depreciation on right-to-use asset (IFRS 16)	19
Repayment of lease liability (IFRS 16)	(4)
Other ¹	42
FFO	1,740
FFO payout ratio	105%
Incentives granted	(60)
Leasing fees paid	(9)
Maintenance capex	(46)
AFFO	1,625
AFFO payout ratio	112%

¹ Includes interest on borrowings on investment property held for sale.

The table above is a reconciliation between the net profit before income tax as per the interim condensed consolidated statement of comprehensive income, and the AFFO as per the Group's dividend policy.

The Group's dividend policy is to distribute between 90% and 110% of Adjusted Funds from Operations (AFFO) over a full financial year.

AFFO is a non-GAAP financial measure adopted to assist Augusta Industrial in assessing the adjusted operating profit available for distribution, calculated in accordance with the guidelines issued by the Property Council of Australia. AFFO represents net profit before tax, excluding investment property revaluations, fair value movements on interest rate swaps, fixed rental accruals and other one off, non-cash or non-recurring transactions. AFFO also reflects the impact of capital expenditure incurred as part of maintaining the portfolio, the total amount of cash and cash equivalent incentives and relevant leasing costs incurred.

The above has not been subject to an independent review by EY.