AUCKLAND REAL ESTATE

Financial report for the half year ended 31 December 2021

For personal use only

For personal use only

Contents

Directors' report	1
Lead auditor's independence declaration	10
Consolidated statement of profit or loss	11
Consolidated statement of other comprehensive income	12
Consolidated statement of changes in equity	13
Consolidated statement of financial position	14
Consolidated statement of cash flows	15
Notes to the consolidated financial statements	16
Directors' declaration	32
Independent auditor's review report	33

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2021 and in accordance with the continuous disclosure requirements of the Corporations Act 2001.

For personal use only

Directors' report

The Directors of Quattro RE Limited (**"Quattro"** or "**Responsible Entity**"), the Responsible Entity for Auckland Real Estate Trust ("AKL" or "**the Trust**" - ASX: AKL) present their report together with the financial statements of the Consolidated Entity for the half-year reporting period of six months ended 31 December 2021 and the independent auditor's review report thereon.

The Consolidated Entity comprises of the Trust and the entities it controlled during the financial period. The Trust became a registered managed investment scheme under the *Corporations Act 2001* on 26 May 2005.

Responsible entity and Investment Management

The Responsible Entity has carried out the investment management function relevant to the assets of the Trust and engaged consultants and other managers, where appropriate, to assist in the review of strategy, its implementation, and the day-to-day management of the Trust.

Directors

The Directors of the Responsible Entity during the period and up to the date of this report, unless otherwise stated are as follows:

Greg Dyer
Nicholas Hargreaves
Barry Mann
Andrew Saunders

The Directors consider that because the majority of Directors during or since the end of the half-year reporting period were non-executive and independent, an adequate segregation of responsibilities has applied during the half-year reporting period between the investment management functions and corporate governance functions of the Trust.

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia. The principal activity of the Trust is investment in office property with a strategy to add value. The Trust currently owns eight properties, seven of which are in the Auckland CBD, New Zealand and one in Chicago, USA.

For personal use only

Results for the half year ended 31 December 2021

The results of the operations of the Trust are disclosed in the consolidated statement of profit or loss and other comprehensive income of the financial statements. The Trust's loss from continuing operations for the half year ended 31 December 2021 was $12,608,000 (2020: $8,022,000 profit).

As of 31 December 2021, the Trust's net tangible assets ("**NTA**") was $1.63 per unit (30 June 2021: $1.76).

Distributions

No distributions have been paid or are payable in respect of the current or immediately preceding corresponding period and the Directors of the Responsible Entity do not recommend the payment of a distribution.

Foreign exchange movements

The Trust's assets and liabilities as well as earnings are predominately in US$ and NZ$. Movements in the US$/A$ and NZ$/A$ exchange rate have a material impact on the Trust's Net Tangible Assets ("**NTA**") and its earnings.

The Trust's statement of financial position is prepared using predominately the spot rate at 31 December 2021.

The Trust's statement of profit or loss and other comprehensive income is prepared using the average exchange rates over the period.

Investment property

The total value of the Trust's property portfolio at 31 December 2021 was $309,870,000 (30 June 2021: $300,591,000). The Trust owns seven office buildings in Auckland CBD, New Zealand and one office building in Chicago, USA.

The properties located in Auckland CBD; New Zealand were all independently valued at 31 December 2021. The Chicago, USA property is held for sale.

COVID-19

As of 31 December 2021, there is one rent relief agreement in place relating to COVID-19 and collections are currently running in line with pre COVID-19 levels.

For personal use only

Portfolio Update

The Trust's property portfolio comprises:

- Auckland CBD, New Zealand:
  - 1 Albert Street, an 8,500sqm NLA premium office building, recently refurbished, located adjacent to Commercial Bay, Auckland's landmark office location.
  - The Fusion project, a 15,000sqm NLA A-grade office project formed by the linking together of three existing office buildings which are located next to Aotea Railway Sation, which will be Auckland's busiest transport hub at completion in 2023. This project has been renamed the Formery.
  - The Harbour Collection, three boutique premium office buildings located on the waterfront in Viaduct Harbour with 9,000sqm combined NLA.
- Chicago, USA:
  - 1700 W.Higgins is a modern 13,000sqm office complex located in the O'Hare market, the largest metropolitan office market in Chicago. This property is held for sale.

The Trust has continued to execute its strategy across the property portfolio, with activity across the portfolio over the period including:

- 1 Albert Street progressed; however, the completion of the refurbishment works at 1 Albert Street has been delayed by 6 months due to a fire incident in the ground level construction zone, with this delay exacerbated by supply chain issues and the impact of covid related lockdowns. The final works which comprise an extension at the ground level, will be completed in June 2022. There are 2 levels remaining to be refurbished and upcycled, with strong tenant interest in these levels. The leasing of the ground level retail, 270sqm, has been deferred until the CBD retail activity normalises, which is expected to be mid to late 2022. Current occupancy at 31 December 2021 was 85%.
- The Harbour Collection, which comprises the three waterfront properties located in the Viaduct Harbour, has continued to lease well as vacancies have arisen and at rents approximately 30% above those at the time of acquisition. Current occupancy for the three properties at 31 December 2021 was 85%.
- The Fusion project has been rebranded the Formery and initial leasing has commenced with a significant lease to Oppo mobile phones. With the leasing of 1 Albert Street nearing completion, the Formery leasing programme will commence in the April 2022. The commencement of major works, the link building, is programmed to commence in mid-2022 and should be completed in mid-2023.
- The Chicago property, 1700 W.Higgins was marketed for sale by Colliers International for sale and terms agreed, however prior to 31 December the bidder withdrew. The property was 59% leased at the start of the sale process, this has now improved to 80% leased. The significant improvement in occupancy is a positive and we expect to sell the building in 2022.

For personal use only

Across the portfolio, there was strong tenant interest resulting in 15 new leases in the Auckland CBD portfolio, increasing total revenue by 15% and occupancy across the completed properties increasing to over 90%. The Chicago property occupancy increased from 59% at 30 June to 80% at 31 December, with 4 new leases agreed during this period. The positive leasing reflects AKL active workplace strategy and its relevance to the post pandemic requirements of tenants.

The Auckland CBD portfolio rents for new leases increased over the period and enquiry for the office space has been consistent, with new workspaces now pre-leasing. New tenants include a mix of SME and international companies, including Expedia, Jasper, Denning Investments, Lockton and Yealand's Wines.

Rent relief provided has been to retail tenants, which accounts for approximately 1% of rent across the property portfolio. Overall rent collections averaged above 95% over the period.

The positive leasing momentum and improved office rents contributed to the Auckland CBD, New Zealand increasing in value to NZ$297m (30 June 2021: NZ$291m). The independent valuers reduced the retail components of the valuations, which reflects the impact of the current pandemic on the retail and hospitality sector.

The valuation gain in New Zealand is summarised as follows, noting the Formery project has been adjusted net of the acquisition for comparison purposes.

Date of Valuation $NZm	**30-June-21**	**31-Dec-21**	**Change in independent valuation**
1 Albert Street	$125.00	$128.00	$3.00
Formery	$50.00	$52.35	$2.35
The Harbour Collection	$116.00	$116.20	$0.20
			$5.55

Liabilities increased by NZ$15m, mainly due to borrowings utilised to fund investment in capital expenditure to complete properties and tenant leasing. The increase in liabilities contributed to a reduction in NTA of 7% to $1.63 per unit.

Sustainability

The Trust has a sustainable investment strategy based on ***"The greenest buildings aren't in fact state-of-the-art ones; they're the ones we already have".*** The most environmental and sustainable building is the building we have already built. Re-positioning a building always has less of an impact on the environment than demolition, land filling the debris, crafting new materials and building new.

Together, building and construction are responsible for 39 per cent of all carbon emissions in the world of which 11 per cent comes from embodied carbon emissions, or upfront carbon that is associated with materials and construction processes. AKL has an objective to identify and drive value within existing office buildings without incurring the carbon footprint debt of new build office developments.

An independent analysis of 1 Albert Street's refurbishment and the forecasted utility consumption over a 60-year period confirms this position. The analysis found the total carbon footprint incurred in refurbishing 1 Albert Street and operating it for 60 years is 2.5 times less that the incurred carbon footprint were the building to be demolished and rebuilt in a like for like manner.

For personal use only

1 Albert Street, Auckland CBD

The major works at the property are complete with the only works outstanding being an extension on the Federal Street side of the building, which is due to complete in June 2022.

Leasing of the building gained momentum and as of 31 December 2021, the building was 86% leased. The building is expected to be over 95% leased by the end of the second quarter.

1 Albert Street, Auckland

The Harbour Collection

1. 110 Customs Street West, Auckland CBD
2. 10 Viaduct Harbour, Auckland CBD
3. 12 Viaduct Harbour, Auckland CBD

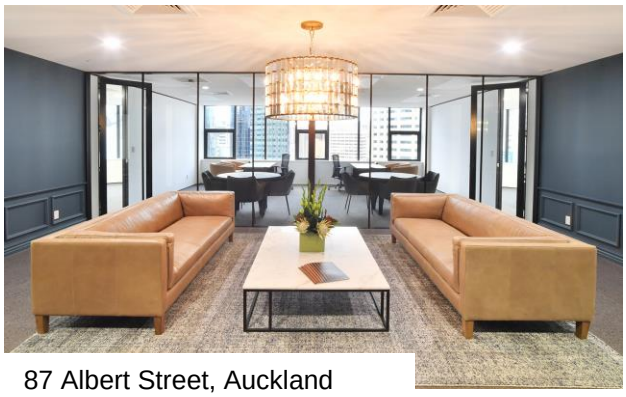
The Harbour Collection properties location on the waterfront in the Viaduct Harbour is attractive to a broad selection of tenants. With floor plates ranging from 400sqm to 600 sqm, plentiful parking and views across the harbour, the properties suit high end business. Given the continued high occupancies the Trust has re-positioned the office spaces as vacancies occur and on average new leases are approximately 30% above those at the time of acquisition.

For personal use only

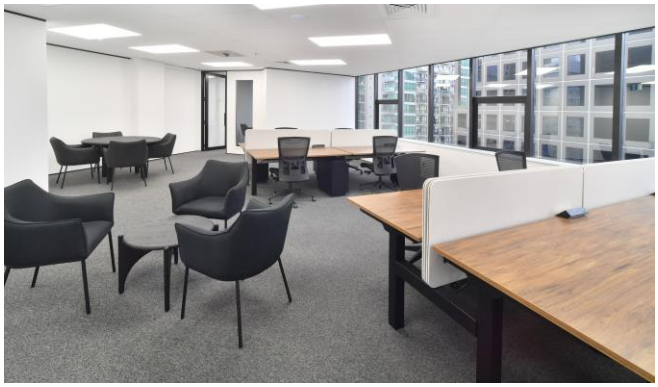
The Formery project

Formery is the project name for the redevelopment of three adjoining buildings: 87 Albert Street, 60 Federal Street and 16 Kingston Street into an approximately 15,000sqm A-grade office complex. Detailed design and costings have been completed for the project, with works expected to commence on the link building in mid 2022.

Refurbishment works are underway, with the major link works between the buildings delayed until mid-2022 due to the impact of COVID-19 on the supply chain and the Auckland CBD. Current works include new lifts, commencement of the new office entrance and the refurbishment of the office areas for new tenants. Leasing of the project is due to commence upon the completion of 1 Albert Street, with consumer electronics group Oppo committing to the development as a lead tenant.



87 Albert Street, Auckland



1700 W. Higgins Road, Chicago

The property has been refurbished and is held for sale. As of 1 December 2021, no sale had been agreed. The properties loan has a termination date of 12 February 2022. In order to manage the refinance risk, the property was withdrawn from sale to enable the refinance to proceed.

During the period, the property occupancy increased from 59% to 80%, which improved the refinance metrics. The leasing momentum has continued strongly over the period as Chicago moved to endemic management strategies.

Capital management and other funding initiatives

On 21 October 2021, the BNZ facility increased by NZ$15.0m to $133.49m to provide additional funding for redevelopment and refurbishment projects currently underway. The facility was also increased for a further 12 months to 22 October 2022.

On 26 March 2021 the Trust increased its non-bank facility by A$27.5m to A$42.5m. The expiry date of this facility is 30 September 2022 and is fully drawn at 31 December 2021.

Drawn borrowings from NZ & US banking facilities totalled $129.8m at 31 December 2021 with Trust gearing at 42.7% (30 June 2021: 38.6%). Total borrowings including the non-bank loan at 31 December 2021 totalled $174.5m with Trust gearing at 58.4% (30 June 2021: 51.8%). Undrawn borrowings total approximately $15.1m and are predominately to fund re-positioning and capex works in New Zealand and USA.

For personal use only

Interest of the Responsible Entity

Alceon Group Pty Limited and their associates (see i below) hold 77,061,048 units (95.9%) in the Trust. Mr Andrew Saunders and his associates hold 449,357 units (0.6%) in the Trust.

Except as disclosed in this report or in the notes to the consolidated financial statements, no Director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity or a related entity with a Director or with a firm of which a Director is a member or with an entity of which a Director of the Responsible Entity has a substantial interest. Directors of the Responsible Entity are paid Directors fees by the Responsible Entity from its own resources.

All transactions with related parties are conducted on commercial terms and conditions.

Costs incurred by the Responsible Entity in managing the Trust include the cost of advisors to provide the fund management, assets management, legal, accounting, and other services. These costs are included in expense recoveries.

	Note	31-Dec-21 $'000	31-Dec-20 $'000
Transactions with related parties - Consolidated			
Charged by the Responsible Entity and related parties:			
Responsible Entity/Management fees	see iii below	**1,153,614**	614,070
Expense recoveries		**199,998**	112,500
Loan interest – Alceon Group Pty Limited	see ii below	**2,753,014**	113,223
Total charges by the Responsible Entity and related parties		**4,106,626**	839,793
Balances outstanding with related parties - Consolidated			
To the Responsible Entity (included in payables)			
Responsible Entity fees		**854,574**	-
Total balances outstanding with related parties		**854,574**	-
Unsecured loan receivable - Consolidated			
Quattro RE Limited		**946,839**	439,839
Total unsecured loan receivable		**946,839**	439,839

i. Associates for Alceon Group Pty Limited ATF The Alceon ATT Trust & Alceon QPR Trust
ii. Associates for Alceon Group Pty Limited ATF Alceon AKL Mezzanine Trust
iii. Responsible Entity fees are calculated on the following basis:
- 0.75% p.a. of the gross carrying value of the Assets, calculated as at the end of each calendar month
- Quattro Management No 2 Pty Limited was appointed to act as the Trust's investment manager under a delegated authority by the Responsible Entity. Quattro Management No 2 Pty Limited is owned equally by a related entity of Andrew Saunders and a related entity of Alceon Group Pty Limited

For personal use only

Events subsequent to the end of the half-year reporting period

The Chicago US property, 1700 Higgins, continues to progress well with increased occupancy from 59% to 80%, which improved the refinance metrics. The leasing momentum has continued strongly over the Xmas period and there are active negotiations to increase occupancy to c. 90%.

We intend to sell this legacy asset as soon as practical and had been in discussions with a buyer in December 2021 which did not proceed. We believe the asset value will be maximised as a stablised asset (c. 90% occupancy) and will place the property for sale once leasing reaches this level expected later this year.

The current property loan has been extended to 1 April to allow for completion of the new loan facility. The refinance of the existing loan is in progress with a term sheet executed with a new lender which will provide us time to complete the sale by around September 2022.

There are no matters or circumstances that have arisen since 31 December 2021 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.

Going concern

The consolidated financial report of the Trust has been prepared on a going concern basis which contemplates continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The available cash and cash equivalents at 31 December 2021 were $1,828,000 (30 June 2021: $356,000). Undrawn borrowings total approximately $15.1m.

The loan for 1700 Higgins, US Chicago property was due to mature on 1 February 2022 and has been extended to 1 April 2022 to allow the Trust the close to refinance that is currently in progress. The agreed terms of the new loan in for a maximum term of 12 months and allows the sale of the property during this term.

The Responsible Entity has prepared cashflow budgets through to 28 February 2023 which indicates that the Trust will have sufficient funds and funding in place to meet its short-term working capital, committed repositioning and capex works, and financing requirements.

Significant changes in state of affairs

In the opinion of the Directors of the Responsible Entity there have been no other significant changes in the state-of-affairs of the Trust which occurred during the financial period not otherwise disclosed in this Directors' report or the attached financial report.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the Directors' Report for the year period 31 December 2021.

Rounding off

The Trust and Consolidated Entity are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Responsible Entity:

Andrew Saunders

Director

Sydney, 28 February 2022

For personal use only

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +612 9221 2099
e. sydneypartners@pitcher.com.au

For personal use only

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF QUATTRO RE LIMITED
AS RESPONSIBLE ENTITY OF AUCKLAND REAL ESTATE TRUST

I declare that, to the best of my knowledge and belief there has been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

ROD SHANLEY
Partner

PITCHER PARTNERS
Sydney

28 February 2022

Pitcher Partners is an association of independent firms.
An independent New South Wales Partnership. ABN 35 415 759 892. Liability limited by a scheme approved under Professional Standards Legislation.
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities

bakertilly NETWORK MEMBER
pitcher.com.au

For personal use only

Statement of Profit or Loss (Consolidated)

for the half year ended 31 December 2021

	Note	31-Dec-21 $'000	31-Dec-20 $'000
Revenue and other income			
Rental income from investment properties		5,953	4,087
Recoverable outgoings from investment properties		1,220	1,403
Interest income		5	25
Other income		(81)	(27)
Net gain/(loss) on financial instruments		(217)	1,191
Net loss on foreign exchange		(9)	(15)
Total revenue and other income		**6,871**	**6,664**
Expenses			
Property expenses		3,080	2,837
Lease liability interest		712	700
Responsible Entity management fees		1,154	614
Custodian fees		8	8
Borrowing costs		2,901	1,493
Provision for expected credit loss		(18)	92
Leasing costs		481	151
Legal fees		139	87
Property general and administrative		583	747
Other operating expenses		531	338
Total expenses		**9,571**	**7,067**
Net operating loss for the half year before income tax		**(2,700)**	**(403)**
Change in fair value of investment property		(9,908)	8,425
Profit/(Loss) for the half year before income tax		**(12,608)**	**8,022**
Income tax		-	-
Profit/(Loss) for the half year		**(12,608)**	**8,022**

Continued on page 12

The consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

For personal use only

Statement of Other Comprehensive Income (Consolidated)

for the half year ended 31 December 2021

	Note	31-Dec-21 $'000	31-Dec-20 $'000
Profit/(Loss) for the period		**(12,608)**	**8,022**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Unrealised Foreign currency translation differences - foreign operations		2,221	(1,186)
Total other comprehensive income/(loss)		**2,221**	**(1,186)**
Total comprehensive profit/(loss) for the period		**(10,387)**	**6,836**
Total comprehensive profit/(loss) for the period attributable to unitholders		**(10,387)**	**6,836**
Earnings per unit for profit/(loss) attributable to the ordinary equity holders of the Trust		**Cents**	**Cents**
Basic and diluted earnings/(loss) per unit	9	**(15.7)**	**9.98**

The consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

For personal use only

Statement of Changes in Equity (Consolidated)

as of 31 December 2021

Consolidated Entity	Issued capital $'000	Reserve $'000	Accumulated losses $'000	Total equity $'000
2020				
Balance at 30 June 2020	286,058	3,867	(200,826)	89,099
Total comprehensive income/(loss) for the period				
Loss for the period	-	-	8,022	8,022
Translation of foreign operations	-	(1,186)	-	(1,186)
Total comprehensive income/(loss) for the period	**-**	**(1,186)**	**8,022**	**6,836**
Transactions with owners, recorded directly in equity				
Units issued	(10)	-	-	(10)
Total transactions with owners	(10)	-	-	(10)
Balance at 31 December 2020	**286,048**	**2,681**	**(192,804)**	**95,925**
2021				
Balance at 30 June 2021	286,048	1,844	(146,671)	141,221
Total comprehensive income/(loss) for the period				
Loss for the period	-	-	(12,608)	(12,608)
Translation of foreign operations	-	2,220	-	2,220
Total comprehensive income/(loss) for the period	**-**	**2,220**	**(12,608)**	**(10,388)**
Transactions with owners, recorded directly in equity				
Units issued	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 31 December 2021	**286,048**	**4,064**	**(159,279)**	**130,833**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

For personal use only

Statement of Financial Position (Consolidated)

as at 31 December 2021

	Note	31-Dec-21 $'000	30-Jun-21 $'000
Current assets			
Cash and cash equivalents		1,828	356
Trade and other receivables	2	1,807	2,647
Investment property held for sale	6	30,842	29,767
Other assets	3	1,857	2,372
Total current assets		**36,334**	**35,142**
Non-current assets			
Investment properties	5	279,027	270,824
Right of use assets and net investments in leases		19,609	19,487
Other assets	3	4,063	3,662
Total non-current assets		**302,699**	**293,973**
Total assets		**339,033**	**329,115**
Current liabilities			
Trade and other payables	4	7,704	7,960
Financial liabilities	7	180,887	160,447
Total current liabilities		**188,591**	**168,407**
Non-current liabilities			
Lease liabilities		19,609	19,497
Total non-current liabilities		**19,609**	**19,487**
Total liabilities		**208,200**	**187,894**
Net assets		**130,833**	**141,221**
Equity			
Issued capital	8	286,048	286,048
Reserves		4,064	1,844
Accumulated losses		(159,279)	(146,671)
Total equity		**130,833**	**141,221**

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

For personal use only

Statement of Cash Flows (Consolidated)

for the half year ended 31 December 2021

	31-Dec-21 $'000	31-Dec-20 $'000
Cash flows from operating activities		
Receipts in the course of operations	9,999	6,585
Payments in the course of operations	(8,808)	(6,511)
Payments of lease liability	(855)	(780)
Payments of interest and other borrowing costs	(2,039)	(1,432)
Cash receipts from GST refunds	2,177	433
Net cash used in operating activities	**474**	**(1,705)**
Cash flows from investing activities		
Payments for improvements to investment properties	(14,383)	(10,601)
Loans from/(to) other entities	(558)	339
Net cash used in investing activities	**(14,941)**	**(10,262)**
Cash flows from financing activities		
Proceeds from borrowings	16,454	12,088
Repayment of borrowings	(161)	-
Transaction costs related to issues of shares, convertible notes or options	(335)	-
Transaction costs relating to borrowings	(3)	(30)
Net cash from financing activities	**15,955**	**12,058**
Net increase/(decrease) in cash and cash equivalents	**1,488**	**91**
Cash and cash equivalents at 1 July	**356**	**1,107**
Effect of exchange rate fluctuations on cash held	**(16)**	**(33)**
Cash and cash equivalents at 31 December	**1,828**	**1,165**

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

For personal use only

Notes to the consolidated interim financial statements

1. Statement of Significant Accounting Policies

Reporting entity

Auckland Real Estate Trust ("AKL" or "**the Trust**" - ASX: AKL), is a registered managed investment scheme under the *Corporations Act 2001*. The consolidated financial report of the Trust as at and for the half-year reporting period of six months ended 31 December 2021 comprises the Trust and its subsidiaries (together referred to as the **"Consolidated Entity"** and individually as **"Group entities"**). The Trust is a for-profit entity. The principal activities of the Consolidated Entity during the half-year reporting period was the derivation of rental income from investment properties located in the United States of America (**"USA"**) and New Zealand (**"NZ"**).

Basis of preparation

(a) Statement of compliance

The consolidated financial report is a general-purpose financial report which has been prepared for a for-profit entity for the half-year reporting period ended 31 December 2021 and which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated financial report does not include all the information required for an annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2021 and the ASX announcements released during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements are presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) except where otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.The financial report has also been prepared on a historical cost basis, except for investment properties and loans designated at fair value through profit and loss, which have been measured at fair value.

The financial statements were approved by the Directors of the Responsible Entity on 28 February 2022.

(b) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant judgements, estimates and assumptions made by management in the preparation of these consolidated financial statements are outlined below:

- **Investment properties – Valuation**
  Investment properties are valued each reporting date to reflect their fair value according to the Trust's policy on valuing property (Refer to Note 5) for further details).

- **Financial liabilities – Valuation**
  The financial liability created by the loan modification agreement has been designated as a financial liability at fair value through profit and loss by Directors of the Responsible Entity (Refer to Note 7 for further details).

For personal use only

(b) Use of estimates and judgments (continued)

- **Lease assets and liabilities - Valuation**
  A right-of-use asset and a lease liability was recognised as at 1 July 2019. This was recognised as the present value at 7% discount rate of all expected future ground rent payments until the next ground lease renewal date then assumed the ground lease was renewed another 19/20 years and this period also included in the present value calculation.

- **Expected credit loss**
  The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, group based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent revenue collection, historical collection rates, the impact of COVID-19 and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

- **Forward foreign exchange contracts - Valuation**
  Derivate financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

- **Tax – non recognition of Deferred Tax Liability**
  The US deferred tax liability is adjusted to reflect the movement in the fair value of the properties and their tax cost base. To the extent that the fair value of the properties is lower than the tax cost base no deferred tax balance is recognised.

(c) Going concern

The consolidated financial report of the Trust has been prepared on a going concern basis which contemplates continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The available cash and cash equivalents at 31 December 2021 were $1,828,000 (30 June 2021: $356,000). Undrawn borrowing facilities total approximately $15.1m.

The loan for 1700 Higgins, US Chicago property was due to mature on 1 February 2022 and has been extended to 1 April 2022 to allow the Trust to close the refinance that is currently in progress. The agreed terms of the new loan is for a maximum term of 12 months and allows the sale of the property during this term.

The Responsible Entity has prepared cashflow budgets through to 28 February 2023 which indicates that the Trust will have sufficient funds and funding in place to meet its short-term working capital, committed repositioning and capex works, and financing requirements.

(d) Significant accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Consolidated Entity's annual financial statements as at 30 June 2021.

The entity has adopted all new mandatory account standards and interpretations for the current period and there was no material impact.

For personal use only

2. Trade and other receivables

	31-Dec-21 $'000	30-Jun-21 $'000
Trade receivables and other receivables	1,807	2,839
Provision for expected credit loss	-	(192)
	1,807	**2,647**

3. Other assets

	31-Dec-21 $'000	30-Jun-21 $'000
Current		
Prepaid expenses and acquisition costs	932	1,230
Derivatives (fair value)	925	1,142
	1,857	**2,372**
Non-current		
Property related deposits*	3,116	3,222
Loan to Responsible Entity**	947	440
	4,063	**3,662**

* Property related deposits are comprised of tenant improvement reserves, capital replacement reserves, insurance escrows and real estate taxes escrows held in the United States and New Zealand.
** The loan to the Responsible Entity is unsecured and relates to the AFSL.

4. Trade and other payables

	31-Dec-21 $'000	30-Jun-21 $'000
Current		
Trade payables	4,652	4,771
Tenants' security deposits	383	321
Retentions held	-	108
Rent received in advance	260	31
CAM charges payable to tenants	-	131
Accrued real estate taxes	827	792
Accrued interest payable	783	302
Deferred income liability	799	1,504
	7,704	**7,960**

For personal use only

5. Investment Properties

	31-Dec-2021 $'000	30-Jun-2021 $'000
Non- current		
Investment properties – at fair value	279,027	270,824
	279,027	**270,824**
The movement in the carrying amount is reconciled as follows:		
Carrying amount at the beginning of the period	270,824	165,543
New acquisitions	-	55,340
Lease straight-lining	-	240
Improvements to investment properties (including tenant incentives)	13,529	25,727
Deferred rent receivable	-	2,312
Asset revaluation increments	-	58,430
Gain/(loss) due to foreign currency translation	2,981	(1,507)
Change in fair value of investment property	(8,307)	(5,494)
Transfer to asset held for sale	-	(29,767)
Carrying amount at the end of the period	**279,027**	**270,824**
Comprising of:		
Deferred rental income	210	313
Deferred leasing costs	-	-
Fair value of properties (excluding straight-lining)	278,817	270,511
	279,027	**270,824**

For personal use only

5. Investment Properties (continued)

Measurement of fair value

Investment properties are measured at fair value with any change therein recognised in profit or loss.

(i) Fair value hierarchy

The Trust has an internal valuation process for determining the fair value at each reporting date. An independent valuer, having an appropriate professional qualification and recent experience in the location and category of the property being valued, values individual properties annually or more regularly if considered appropriate. These external valuations are taken into consideration by the Directors of the Responsible Entity when determining the fair values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgably, prudently and without compulsion.

An Independent valuation for 1 Albert St, 10 & 12 Viaduct Harbour, 110 Customs St West and Fusion (87 Albert St 16 Kingston St and 60 Federal St, Auckland) was conducted by Jones Lang LaSalle as of 31 December 2021.

The fair value measurement for all seven (7) investment properties, has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 5(ii) below).

	31-Dec-21 A$	30-Jun-21 A$
Property		
1-3 Albert Street, Auckland	120,437,000	116,333,000
10 Viaduct Harbour, Auckland	18,442,000	17,950,000
12 Viaduct Harbour, Auckland	16,983,000	16,612,000
110 Customs St West, Auckland	13,831,000	12,332,000
Fusion (87 Albert St, 16 Kingston St and 60 Federal St, Auckland)	109,334,000	107,957,000
	279,027,000	**270,824,000**

For personal use only

(ii)Level 3 fair value

Valuation technique and significant unobservable inputs

The following information shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

31 December 2021

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
NZ Properties Discounted cash flows: The valuation model considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth rate, vacancy periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid for by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the determination of an appropriate discount rate takes into consideration the quality and location of the building, tenant credit quality and lease terms.	• Market rental growth: approx. 2.5%p/a • Occupancy has been assumed as 100% • Stabilized occupancy for 1 Albert St is yr3. Includes capex, risk, profit and letting up allowances • Vacancy period between leases: 6-9 months • Risk adjusted discount rate: 6.0% -7.0% • Agreed ground rents	The estimated fair value would increase/(decrease) if: • Expected market rental growth is higher/(lower) • Occupancy is (lower) • The lease up periods and letting up costs at 1Albert St are higher/(lower) • The vacancy periods between leases are shorter/(longer) • The risk adjusted discount rate was lower/(higher) • The actual ground rent reviews are higher/(lower)

For personal use only

31 December 2020

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
USA Properties Discounted cash flows: The valuation model considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth rate, vacancy periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid for by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the determination of an appropriate discount rate takes into consideration the quality and location of the building, tenant credit quality and lease terms.	• 2 broker opinion of values and conditional contracts for the billboards and land • Expected market rental growth: 3.0% p/a • Current occupancy of 72%, and assumed stabilized occupancy of 70% in year 3 • Vacancy period between leases: 9 months • Vacancy factor and credit loss: 8.0% • Risk adjusted discount rate: 9.0%	The estimated fair value would increase/(decrease) if: • Expected market rental growth was higher/(lower) • The current occupancy rate was higher/(lower) • The lease up or absorption period of the vacant space was shorter/(longer) • The vacancy periods between leases was shorter/(longer) • The vacancy factor is lower/(higher). • The stabilised occupancy is higher/(lower) • The risk adjusted discount rate was lower/(higher)
NZ Properties Discounted cash flows: The valuation model considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth rate, vacancy periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid for by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the determination of an appropriate discount rate takes into consideration the quality and location of the building, tenant credit quality and lease terms.	• Expected market rental growth: 2.5% p/a • Occupancy has been assumed as 100% • Stabilized occupancy for 1 Albert St is year 3 with risk, profit and letting up allowance • Vacancy period between leases: 6-9 months • Risk adjusted discount rate: 6.75% -7.75% • Market ground rents have been estimated •	The estimated fair value would increase/(decrease) if: • Expected market rental growth is higher/(lower) • Occupancy is (lower) • The lease up periods and letting up costs at 1Albert St are higher/(lower) • The vacancy periods between leases are shorter/(longer) • The risk adjusted discount rate was lower/(higher) • The actual ground rent reviews are higher/(lower)

For personal use only

6. Investment Property held for sale

The US investment property situation at 1700 W.Higgins Road, Des Plains, Chicago is currently for sale and is expected to be sold within six months from the reporting date through an auction process.

	31-Dec-21 A$'000	30-Jun-21 A$'000
Investment property at fair value		
Carrying amount at beginning of year	29,767	30,872
Additions	540	2,642
Deferred rent receivable	2,160	1,999
Lease straight lining	88	242
Net loss from fair value adjustment	(2,764)	(1,194)
Net foreign currency (loss)/gain exchange movements	1,051	(4,794)
Carrying amount end of year	**30,842**	**29,767**

For personal use only

7. Financial liabilities

	31-Dec-21 A$'000	30-Jun-21 A$'000
Current		
Bank Loans – amortised cost (1700 Higgins & New Zealand)	132,240	119,553
Non-Bank Subordinated Bridge loan – amortised cost	48,647	40,894
Total loans and borrowings	**180,887**	**160,447**

Bank Loans – terms and conditions

a. 1700 Higgins Loan

On 25 January 2019 the Trust refinanced the 1700 Higgins loan with a new secured loan of US$9.7m and $US2.0m of equity which was funded from the proceeds of the capital raising which closed on 21 December 2018. The loan was refinanced with the maturity date of 1 February 2022 and the Lender has agreed to extend to 1 April 2022. The interest rate is a 3.75% p.a. margin over LIBOR. Key terms of the loan are:

Key details of the secured loan with the new lender are as follows:

	US$	A$
Loan limit	$14.0m	$19.3m
Initial funding	$9.7m	$13.4m
Drawn	$14.0m	$19.3m
Undrawn funding held in reserve for TI/LC/Capex (refer to note 3)	$1.8m	$2.4m

b. New Zealand Debt Facility

The facility is syndicated with Bank of New Zealand in NZ and Industrial and Commercial Bank of China (New Zealand) Limited (ICBC) and the terms are typical for a secured property loan of this nature with a maturity date of 22 October 2022. The interest rate is a 2.4% p.a. margin on BKBM rate. The loan is secured by charges over all the NZ properties.

	NZ$	A$
Loan limit	$133.5m	$125.6m
Drawn	$120.0m	$112.9m
Undrawn facilities	$13.5m	$12.7m

Non-Bank Subordinated Bridge loan

The keys terms (limit, repayment and interest rate) of the Non-Bank Subordinated Bridge loan is as follows:

- Loan limit of A$42,500,000 plus interest to repayment date
- Interest rate – up to 15% annualised, accrued monthly and capitalised
- Maturity date – extended to 30 September 2022

	A$
Loan limit	$42.5m
Drawn	$42.5m
Accrued interest and additional drawings	$6.2m
Total loan balance	$48.7m

For personal use only

8. Capital and reserves

Capital management

Trust gearing at 31 December 2021 (debt to total assets, excluding right of use assets) on the NZ & US banking facilities is 42.7% (30 June 2021: 38.6%) and for total borrowing including the non-bank loan is 58.4% (30 June 2021: 51.8%). Undrawn borrowings total approximately $15.1m (30 June 2021: $15.0m). The undrawn borrowings are to fund re-positioning and capex works in NZ and USA as well as for working capital.

The Trust may hedge its interest rate exposure as it utilises its undrawn borrowings and also hedge its net asset US$ and NZ$ foreign exchange exposure.

Issued capital

The movement in the Trust's issued capital during the period is shown below:

	31-Dec-21		30-Jun-21	
	No. of units	**$'000**	**No. of units**	**$'000**
Opening balance	**80,342,150**	**286,048**	80,342,150	286,058
Pro-rata entitlement offer*	**-**	**-**	-	(10)
Closing balance	**80,342,150**	**286,048**	80,342,150	286,048

* 1 : 2.46 non-renounceable pro-rata entitlement offer

9. Earnings/(Loss) per unit

The calculation of basic earnings/(loss) per unit at 31 December 2021 was based on the loss from continuing operations of the Trust of $12,608,000 (31 December 2020 profit: $8,022,000) and a weighted average number of units outstanding of 80,342,150 (31 December 2020: 80,342,150), calculated as follows:

	As at 31-Dec-21 $'000	**As at 31-Dec-20 $'000**
Net profit/(loss) attributable to unitholders of the Trust	**(12,608)**	**8,022**

	As at 31-Dec-21	**As at 31-Dec-20**
Weighted average number of units (basic)		
Issued units at 1 July	80,342,150	80,342,150
Weighted average number of units at 31 December	**80,342,150**	**80,342,150**

Diluted earnings per unit

As there are no diluting factors in the half-year reporting period and comparative period, the diluted earnings/(loss) per unit is equal to the basic.

For personal use only

10. Operating segments

The main business of the Consolidated Entity is investment in properties located in the United States of America and New Zealand which is leased to third parties.

The Consolidated Entity has three reportable segments, based on the geographical location of each segment. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit or loss after income tax as included in the internal management reports that are reviewed by the Chief Executive Officer (**"CEO"**) of the Responsible Entity. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The amounts set out on the following page are expressed in AUD but represent amounts that are denominated in USD and NZD and converted to AUD on consolidation.

Consolidated Entity – 6 months ended 31-Dec-21	**USA**	**Australia**	**New Zealand**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
External revenues	1,573	-	5,601	7,174
Interest income	-	-	5	5
Net loss on foreign exchange	-	(1)	(8)	(9)
Net loss on financial instruments	-	(217)	-	(217)
Other income/(expense)	(97)	-	15	(82)
Total income	1,476	(218)	5,613	6,871
Borrowing costs	540	360	2,001	2,901
Other operating expenses	1,243	1,557	3,870	6,670
Total expenses	1,783	1,917	5,871	9,571
Changes in fair value of investment properties	(958)	-	(8,950)	(9,908)
Loss before income tax	(1,265)	(2,135)	(9,208)	(12,608)
Income tax	-	-	-	-
Loss after income tax	**(1,265)**	**(2,135)**	**(9,208)**	**(12,608)**
Segment assets	**33,939**	**2,434**	**302,660**	**339,033**
Segment liabilities	**21,282**	**49,833**	**137,085**	**208,200**

10. Operating segments (continued)

Consolidated Entity – 6 months ended 31-Dec-20	USA	Australia	New Zealand	Total
	$'000	$'000	$'000	$'000
External revenues	1,545	-	3,945	5,490
Interest income	-	25	-	25
Net gain on foreign exchange	-	1,191	-	1,191
Other income/(expense)	(138)	111	-	(27)
Total income	1,407	1,316	3,941	6,664
Borrowing costs	452	116	925	1,493
Other operating expenses	1,326	986	3,262	5,574
Total expenses	1,778	1,102	4,187	7,067
Change in fair value of investment properties	1,780	-	6,645	8,425
Profit before income tax	1,409	214	6,399	8,022
Income tax	-	-	-	-
Profit after income tax	**1,409**	**214**	**6,399**	**8,022**
Segment assets	**31,950**	**3,523**	**172,152**	**207,625**
Segment liabilities	**16,915**	**6,642**	**88,143**	**111,700**

For personal use only

For personal use only

11. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of the key management of the Trust. Related party transactions are transfers of resources, services or obligations between related parties and the Trust, regardless of whether a price has been charged.

Quattro RE Limited (the "Responsible Entity") and Alceon Group Pty Limited are considered to be related parties of the Trust. Alceon Group Pty Limited is considered a related party due to its significant ownership in the Trust.

Key management personnel

The Trust does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Trust and this is considered the Key Management Personnel ("KMP"). The Directors of the Responsible Entity at any time during the half-year reporting period were as follows:

Greg Dyer
Nicholas Hargreaves
Barry Mann
Andrew Saunders

Unit holdings of the Responsible Entity and its key management personnel

As at 31 December 2021 there were no units held by the Responsible Entity (31 December 2020: nil units) in the Trust.

Alceon Group Pty Limited and their associates (see i below) hold 77,061,048 units (95.9%) in the Trust. Mr Andrew Saunders and his associates hold 449,357 units (0.6%) in the Trust.

Related party investments held by the Trust

As at 31 December 2021 the Trust held no investments in the Responsible Entity or their associates (31 December 2020: Nil).

For personal use only

Responsible Entity fees, related party fees and other transactions

Except as disclosed in these consolidated financial statements, no Director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity or a related entity with a Director or with a firm of which a Director is a member or with an entity of which a Director of the Responsible Entity has a substantial interest.

All transactions with related parties are conducted on normal commercial terms and conditions.

	Note	2021 $'000	2020 $'000
Transactions with related parties - Consolidated			
Charged by the Responsible Entity and related parties:			
Responsible Entity/Management fees	see iii below	**1,153,614**	**614,070**
Expense recoveries		**199,998**	**112,500**
Loan interest – Alceon Group Pty Limited	see ii below	**2,753,014**	**113,223**
Total charges by the Responsible Entity and related parties		**4,106,626**	**839,793**
Balances outstanding with related parties - Consolidated			
To the Responsible Entity (included in payables)			
Responsible Entity fees		**845,574**	**-**
Total outstanding with related parties		**845,574**	**-**
Unsecured loan receivable - Consolidated			
Quattro RE Limited		**946,839**	**439,839**
Total unsecured loan receivable		**946,839**	**439,839**

i Associates for Alceon Group Pty Limited ATF The Alceon ATT Trust & Alceon QPR Trust
ii. Associates for Alceon Group Pty Limited ATF Alceon AKL Mezzanine Trust
iii. Responsible Entity fees are calculated on the following basis:

- 0.75% of the asset value
- Quattro Management No 2 Pty Limited was appointed to act as the Trust's investment manager under a delegated authority by the Responsible Entity. Quattro Management No 2 Pty Limited is owned equally by a related entity of Andrew Saunders and a related entity of Alceon Group Pty Limited

For personal use only

12. Financial instruments

Financial risk management

The Consolidated Entity's financial risk management objectives and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2021.

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31-Dec-21		Carrying amount				Fair value			
	Note	Designated at fair value $'000	Cash, Loans, and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at amortised cost									
Trade and other receivables	2	-	1,807	-	1,807	-	-	-	1,807
Cash and cash equivalents		-	1,828	-	1,828	-	-	-	1,828
Other assets	3	-	4,995	-	4,995	-	-	-	4,995
Financial assets measured at fair value*									
Other assets	3	925	-	-	925	-	925	-	925
Financial liabilities measured at amortised cost									
Trade payables	4	-	-	7,704	7,704	-	-	-	7,704
Lease liabilities		-	-	19,608	19,608	-	-	-	19,608
Financial liabilities	6	-	-	180,887	180,887	-	-	-	180,887
30-Jun-21									
Financial assets measured at amortised cost									
Trade and other receivables	2	-	2,647	-	2,647	-	-	-	2,647
Cash and cash equivalents		-	356	-	356	-	-	-	356
Other assets	3	-	4,852	-	4,852	-	-	-	4,852
Financial assets measured at fair value*									
Other assets	3	1,142	-	-	1,142	-	1,142	-	1,142
Financial liabilities not measured at amortised cost									
Trade payables	4	-	-	7,960	7,960	-	-	-	7,960
Lease liabilities		-	-	19,487	19,487	-	-	-	19,487
Financial liabilities	6	-	-	160,447	160,447	-	-	-	160,447

* For financial assets and liabilities not measured at fair value, the carrying amount is a reasonable approximation of fair value due to their short-term nature.

For personal use only

12. Financial instruments (continued)

The fair value of derivates that are no exchange-traded is estimated at the amount that the Consolidated Entity would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. Specifically, the fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date.

Capital management

Other than disclosed in this report and the 30 June 2021 Annual Report, there were no capital management initiatives for the six months ended 31 December 2021.

13. Contingent assets and liabilities and commitments

In the opinion of the Responsible Entity there are no other contingent assets, contingent liabilities or commitments subsisting at or arising since the reporting date not otherwise disclosed in this report.

14. Events subsequent to reporting date

The Chicago US property, 1700 Higgins, continues to progress well with increased occupancy from 59% to 80%, which improved the refinance metrics. The leasing momentum has continued strongly over the Xmas period and there are active negotiations to increase occupancy to c. 90%.

We intend to sell this legacy asset as soon as practical and had been in discussions with a buyer in December 2021 which did not proceed. We believe the asset value will be maximised as a stablised asset (c. 90% occupancy) and will place the property for sale once leasing reaches this level expected later this year.

The current property loan has been extended to 1 April to allow for completion of the new loan facility. The refinance of the existing loan is in progress with a term sheet executed with a new lender which will provide us time to complete the sale by around September 2022.

There are no matters or circumstances that have arisen since 31 December 2021 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.

Directors' declaration

1 In the opinion of the Directors of Quattro RE Limited ("Responsible Entity"), the Responsible Entity for the Auckland Real Estate Trust ("Trust"):

(a) the consolidated financial statements and notes, set out on pages 10 to 31, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the six months ended on that date; and

(ii) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Responsible Entity:

Andrew Saunders
Director

Sydney, 28 February 2022

For personal use only

For personal use only

PITCHER PARTNERS

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

Independent Auditor's Review Report
To the Members of Auckland Real Estate Trust
ARSN 114 494 503

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Auckland Real Estate Trust ("the Trust") and its controlled entities "the Consolidated Entity", which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

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

(a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Consolidated Entity, would be in the same terms if given to the Directors as at the time of this auditor's review report.

Responsibility of the Directors of the Responsible Entity for the Financial Report

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

Adelaide Brisbane Melbourne Newcastle Perth Sydney

Pitcher Partners is an association of independent firms.
An independent New South Wales Partnership. ABN 35 415 759 892. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

bakertilly NETWORK MEMBER

pitcher.com.au

Independent Auditor's Review Report
To the Members of Auckland Real Estate Trust
ARSN 114 494 503

PITCHER PARTNERS

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Trust's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

ROD SHANLEY
Partner

PITCHER PARTNERS
Sydney

28 February 2022

For personal use only

Pitcher Partners is an association of independent firms.

ABN 35 415 759 892.
An independent New South Wales Partnership.