are | AUCKLAND REAL ESTATE

# Financial report for the half year ended 31 December 2022

# Contents



**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 2022 and in accordance with the continuous disclosure requirements of the Corporations Act 2001.**

# 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 2022 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.

The Trust applied to the ASX and NZX to delist and become an unlisted Trust in December 2022.

## Results for the half year ended 31 December 2022

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 2022 was $14,589,000 (2021: $12,608,000 loss).

As of 31 December 2022, the Trust's net tangible assets ("**NTA**") was $1.21 per unit (30 June 2022: $1.33).

## 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 2022.

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 2022 was $311,435,000 (30 June 2022: $299,758,000). 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 30 June 2022. The Chicago building is held for sale and is held at the value as of 31 December 2020. The Consolidated Entity has executed agreement to sell the Harbour Collection (10 & 12 Viaduct and 110 Customs Street West, Auckland) for NZ$52,500,000 with settlement expected to occur on 17 March 2023.

## COVID-19

As of 31 December 2022, there is one rent relief agreement in place relating to COVID-19 and collections are currently running in line with pre COVID-19 levels.

## 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 Formery 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.
  - The Harbour Collection, three boutique premium office buildings located on the waterfront in Viaduct Harbour with 9,000sqm combined NLA. The property is subject to a conditional contract of sale.

- 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 Consolidated Entity has continued to execute its investment strategy across the property portfolio, with key steps over the period including:

- The refinancing of the consolidated entity's property portfolio was completed in late November 2022 and includes a new facility to fund the Formery works.
- The completion of 1 Albert Street, with the building office areas now over 95% leased. The only remaining key area for lease is a prime retail, with leasing enquiry for retail starting to gather some momentum prior to the Christmas holidays.
- The Harbour Collection, which comprises the three waterfront properties located in the Viaduct Harbour are subject to a conditional contract of sale.
- The Formery upcycling works commenced with the works in progress.

The Consolidated Entity's NTA per unit has declined over the period to $1.21 per unit. This decrease is attributable to the following factors;

1. The NZ asset portfolio valuation increased from NZ$303,400,000 to NZ$305,121,000, an increase of NZ$1,721,000 however this was offset by investment in the property portfolio, which was mainly completion of tenancy works across the portfolio of NZ$6,228,000.
2. A write down of the Harbour Collection assets to the contracted sale price totalled NZ$4,507,000 which resulted in a decrease of $0.05 per unit.
3. The NZ debt increased to NZ$144,060,000. Borrowing costs relating to the bank debt (Senior & Junior Facilities) for the 6 months to 31 December 2022 totalled NZ$4,135,000;
4. FX movements in the US$ and NZ$ accounted for a increase of $0.06 per unit.

The valuation gain in New Zealand is summarised as follows, noting at The Harbour Collection has been written down to the contract sale price.

| **Date of Valuation NZ$m** | **30-June-22** | **31-Dec-22** | **Change in value** |
|---|---|---|---|
| 1 Albert Street | $134.00 | $135.95 | $1.95 |
| Formery | $114.40 | $116.67 | $2.27 |
| The Harbour Collection | $55.00 | $52.50 | ($2.50) |
| | | | **$1.72** |

## 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. ARE has an objective to identify and drive value within existing office buildings without incurring the carbon footprint debt of new build office developments.

## Kyndril House - 1 Albert Street, Auckland CBD

The major works at the property are complete. As of 31 December 2022, the building was 95% leased.

1 Albert Street, Auckland

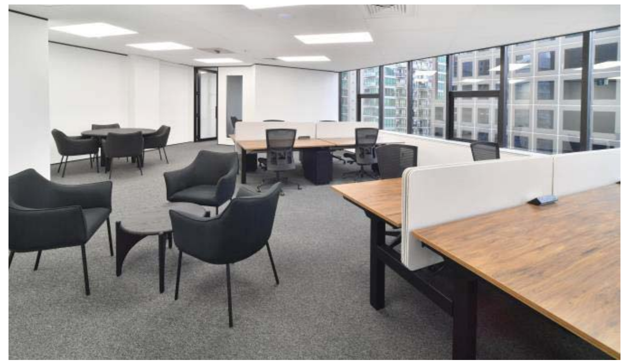
## The Harbour Collection

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. The sale of The Harbour Collection (10 & 12 Viaduct Harbour and 110 Customs Street West, Auckland), is due to be completed in March 2023.

## 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 commenced.



## 1700 W. Higgins Road, Chicago

The Chicago US property, 1700 Higgins, is over 85% leased and held for sale.

## Capital management and other funding initiatives

On 28 November 2022, the new NZ facility was finalised. The facility of NZ$133,490,000 with BNZ/ICBC was replaced with a BNZ/ICBC Senior facility totalling NZ$88,490,000 and a Junior facility with Alceon Group Security Holdings Pty Ltd for NZ$55,000,000. An additional capex facility with BNZ of NZ$31,738,802 for redevelopment and refurbishment projects for Formery is yet to be drawn on.

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 2023 and is fully drawn.

Drawn borrowings from NZ & US banking facilities totalled $152.9m at 31 December 2022 with Trust gearing at 42.5% (30 June 2022: 38.6%). Total borrowings including the non-bank loan at 31 December 2022 totalled $213.5m with Trust gearing at 59.4% (30 June 2022: 62.1%).

## 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 449,221 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-22 $'000 | 31-Dec-21 $'000 |
|---|---|---|---|
| **Transactions with related parties - Consolidated** | | | |
| *Charged by the Responsible Entity and related parties:* | | | |
| Responsible Entity/Management fees | see iii below | **1,135,553** | 1,153,614 |
| Capital arrangement fee | | **810,876** | - |
| Expense recoveries | | **199,999** | 199,998 |
| Loan interest – Alceon Group Pty Limited | see ii below | **4,085,665** | 2,753,014 |
| **Total charges by the Responsible Entity and related parties** | | **6,232,093** | 4,106,626 |
| | | | |
| **Balances outstanding with related parties - Consolidated** | | | |
| *To the Responsible Entity (included in payables)* | | | |
| Responsible Entity fees | | **2,528,494** | 854,574 |
| Non-bank bridge loan -Alceon Group Pty Limited | | **60,522,301** | 48,647,333 |
| **Total balances outstanding with related parties** | | **63,050,795** | 49,501,907 |
| | | | |
| **Unsecured loan receivable - Consolidated** | | | |
| Quattro RE Limited | | **566,839** | 946,839 |
| **Total unsecured loan receivable** | | **566,839** | 946,839 |

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

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

The ASX and NZX approved the delisting of the Trust Trust in January 2023. A General Meeting of members will be held on the 28th February to vote on a resolution to delist and become an unlisted Trust. If the meeting passes the resolution, the Trust will open the Withdrawal Offer and the Small Holdings Redemption Facility for members who do not wish to retain interests in the unlisted Trust.

There are no matters or circumstances that have arisen since 31 December 2022 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 2022 were $1,525,000 (30 June 2022: $1,051,000).

The consolidated statement of financial position discloses that the Consolidated Entity had a deficiency of current assets of $5,260,000 (30 June 2022: $99,695,000 deficiency).

The Responsible Entity has prepared cashflow budgets through to 29 February 2024 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 10 and forms part of the Directors' Report for the half year ended 31 December 2022.

## 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 2023

**Pitcher Partners Sydney Partnership**

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

**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.

This declaration is in respect of Auckland Real Estate Trust and the entities it controlled during the period.

ROD SHANLEY
Partner

PITCHER PARTNERS

Sydney

28 February 2023

# Statement of Profit or Loss (Consolidated)

for the half year ended 31 December 2022

| | Note | 31-Dec-22 $'000 | 31-Dec-21 $'000 |
|---|---|---|---|
| **Revenue and other income** | | | |
| Rental income from investment properties | | 6,596 | 5,953 |
| Recoverable outgoings from investment properties | | 1,170 | 1,220 |
| Interest income | | 1 | 5 |
| Other income | | - | (81) |
| Net gain/(loss) on financial instruments | | (248) | (217) |
| Net loss on foreign exchange | | 31 | (9) |
| **Total revenue and other income** | | **7,550** | **6,871** |
| **Expenses** | | | |
| Property expenses | | 3,513 | 3,080 |
| Lease liability interest | | 728 | 712 |
| Responsible Entity management fees | | 1,136 | 1,154 |
| Custodian fees | | 8 | 8 |
| Borrowing costs | | 9,114 | 2,901 |
| Provision for expected credit loss | | (57) | (18) |
| Bad debt write off | | 37 | - |
| Due diligence costs written off | | 813 | - |
| Marketing and advertising | | 128 | 246 |
| Leasing costs | | 574 | 481 |
| Legal fees | | 302 | 139 |
| Property general and administrative | | 1,039 | 337 |
| Other operating expenses | | 535 | 531 |
| **Total expenses** | | **17,870** | **9,571** |
| **Net operating loss for the half year before income tax** | | **(10,320)** | **(2,700)** |
| Change in fair value of investment property | | (4,269) | (9,908) |
| **Loss for the half year before income tax** | | **(14,589)** | **(12,608)** |
| Income tax | | - | - |
| **Loss for the half year** | | **(14,589)** | **(12,608)** |

Continued on page 12

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

## Statement of Other Comprehensive Income (Consolidated)

for the half year ended 31 December 2022

| | Note | 31-Dec-22 $'000 | 31-Dec-21 $'000 |
|---|---|---|---|
| **Profit/(Loss) for the period** | | **(14,589)** | **(12,608)** |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Unrealised Foreign currency translation differences - foreign operations | | 5,052 | 2,221 |
| **Total other comprehensive income/(loss)** | | **5,052** | **2,221** |
| **Total comprehensive profit/(loss) for the period** | | **(9,537)** | **(10,387)** |
| **Total comprehensive profit/(loss) for the period attributable to unitholders** | | **(9,537)** | **(10,387)** |
| **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 | **(18.2)** | **(15.7)** |

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

## Statement of Changes in Equity (Consolidated)

as of 31 December 2022

| Consolidated Entity | Issued capital $'000 | Reserve $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|
| **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** | **4,065** | **(159,279)** | **130,833** |
| **2022** | | | | |
| Balance at 30 June 2022 | 286,048 | (4,169) | (175,075) | 106,804 |
| **Total comprehensive income/(loss) for the period** | | | | |
| Loss for the period | - | - | (14,589) | (14,589) |
| Translation of foreign operations | - | 5,052 | - | 5,052 |
| **Total comprehensive income/(loss) for the period** | **-** | **5,052** | **(14,589)** | **(9,537)** |
| **Transactions with owners, recorded directly in equity** | | | | |
| Units issued | - | - | - | - |
| Total transactions with owners | - | - | - | - |
| **Balance at 31 December 2021** | **286,048** | **883** | **(189,664)** | **97,267** |

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

## Statement of Financial Position (Consolidated)

as at 31 December 2022

| | Note | 31-Dec-22<br>$'000 | 30-Jun-22<br>$'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 1,525 | 1,051 |
| Trade and other receivables | 2 | 643 | 655 |
| Investment property held for sale | 6 | 75,583 | 75,732 |
| Other assets | 3 | 3,026 | 2,305 |
| **Total current assets** | | **80,777** | **79,743** |
| **Non-current assets** | | | |
| Investment properties | 5 | 235,852 | 224,026 |
| Right of use assets and net investments in leases | | 20,079 | 18,795 |
| Other assets | 3 | 1,173 | 618 |
| **Total non-current assets** | | **257,104** | **243,439** |
| **Total assets** | | **337,881** | **323,182** |
| **Current liabilities** | | | |
| Trade and other payables | 4 | 7,065 | 8,678 |
| Financial liabilities | 7 | 78,972 | 170,760 |
| **Total current liabilities** | | **86,037** | **179,438** |
| **Non-current liabilities** | | | |
| Financial liabilities | 7 | 134,498 | 18,145 |
| Lease liabilities | | 20,079 | 18,795 |
| **Total non-current liabilities** | | **154,577** | **36,940** |
| **Total liabilities** | | **240,614** | **216,378** |
| **Net assets** | | **97,267** | **106,804** |
| **Equity** | | | |
| Issued capital | 8 | 286,048 | 286,048 |
| Reserves | | 883 | (4,169) |
| Accumulated losses | | (189,664) | (175,075) |
| **Total equity** | | **97,267** | **106,804** |

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

## Statement of Cash Flows (Consolidated)

for the half year ended 31 December 2022

| | 31-Dec-22<br>$'000 | 31-Dec-21<br>$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts in the course of operations | 8,777 | 9,999 |
| Payments in the course of operations | (7,176) | (8,808) |
| Payments of lease liability | (839) | (855) |
| Payments of interest and other borrowing costs | (3,660) | (2,039) |
| Cash receipts from GST refunds | 816 | 2,177 |
| **Net cash used in operating activities** | **(2,082)** | **474** |
| | | |
| **Cash flows from investing activities** | | |
| Payments for improvements to investment properties | (10,745) | (14,383) |
| Loans from/(to) other entities | (2,618) | (558) |
| **Net cash used in investing activities** | **(13,363)** | **(14,941)** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | 136,563 | 16,454 |
| Repayment of borrowings | (118,963) | (161) |
| Transaction costs related to issues of shares, convertible notes or options | (334) | (335) |
| Transaction costs relating to borrowings | (1,390) | (3) |
| **Net cash from financing activities** | **15,876** | **15,955** |
| **Net increase/(decrease) in cash and cash equivalents** | **431** | **1,488** |
| **Cash and cash equivalents at 1 July** | **1,051** | **356** |
| **Effect of exchange rate fluctuations on cash held** | **43** | **(16)** |
| **Cash and cash equivalents at 31 December** | **1,525** | **1,828** |

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

## 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 2022 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 2022 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 2022 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 2023.

##### *(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).

### *(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**
  Derivative 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**
  The US deferred tax 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 2022 were $1,525,000 (30 June 2022: $1,051,000).

The consolidated statement of financial position discloses that the Consolidated Entity had a deficiency of current assets of $5,260,000 (30 June 2022: $99,695,000 deficiency).

The Responsible Entity has prepared cashflow budgets through to 28 February 2024 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 2022.

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

## 2. Trade and other receivables

| | 31-Dec-22 $'000 | 30-Jun-22 $'000 |
|---|---|---|
| Trade receivables and other receivables | 718 | 792 |
| Provision for expected credit loss | (75) | (137) |
| | **643** | **655** |

## 3. Other assets

| | 31-Dec-22 $'000 | 30-Jun-22 $'000 |
|---|---|---|
| **Current** | | |
| Prepaid expenses and acquisition costs | 2,922 | 1,953 |
| Derivatives (fair value) | 104 | 352 |
| | **3,026** | **2,305** |
| **Non-current** | | |
| Property related deposits* | 606 | 51 |
| Loan to Responsible Entity** | 567 | 567 |
| | **1,173** | **618** |

* 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, at call, interest free and relates to the AFSL.

## 4. Trade and other payables

| | 31-Dec-22 $'000 | 30-Jun-22 $'000 |
|---|---|---|
| **Current** | | |
| Trade payables | 4,629 | 6,375 |
| Tenants' security deposits | 471 | 537 |
| Rent received in advance | 317 | 199 |
| Accrued real estate taxes | 1,090 | 983 |
| Accrued interest payable | 558 | 584 |
| | **7,065** | **8,678** |

## 5. Investment Properties

| | 31-Dec-2022 $'000 | 30-Jun-2022 $'000 |
|---|---|---|
| ***Non- current*** | | |
| Investment properties – at fair value | 235,852 | 224,026 |
| | **235,852** | **224,026** |
| *The movement in the carrying amount is reconciled as follows:* | | |
| Carrying amount at the beginning of the period | 224,026 | 270,824 |
| Lease straight-lining | 103 | 95 |
| Improvements to investment properties (including tenant incentives) | 3,940 | 25,276 |
| Gain/(loss) due to foreign currency translation | 7,782 | (10,732) |
| Change in fair value of investment property | - | (11,834) |
| Transfer to asset held for sale | - | (49,603) |
| **Carrying amount at the end of the period** | **235,852** | **224,026** |

### 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 and Formery (87 Albert St 16 Kingston St and 60 Federal St, Auckland) was conducted by Jones Lang LaSalle as of 30 June 2022.

The fair value measurement for all four (4) 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-22 A$ | 30-Jun-22 A$ |
|---|---|---|
| **Property** | | |
| Kyndrill House - 1-3 Albert Street, Auckland | 126,927,000 | 120,851,000 |
| Formery (87 Albert St, 16 Kingston St and 60 Federal St, Auckland) | 108,925,000 | 103,175,000 |
| | **235,852,000** | **224,026,000** |

### *(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 2022**

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|
| **NZ Properties**<br><br>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. 2.73%p/a<br>• Occupancy has been assumed as 100%<br>• Stabilized occupancy for 1 Albert St is yr3. Includes capex, risk, profit and letting up allowances<br>• Vacancy period between leases: 6-9 months<br>• Risk adjusted discount rate: 6.375%<br>• Agreed ground rents | The estimated fair value would increase/(decrease) if:<br><br>• Expected market rental growth is higher/(lower)<br>• Occupancy is (lower)<br>• The lease up periods and letting up costs at 1Albert St are higher/(lower)<br>• The vacancy periods between leases are shorter/(longer)<br>• The risk adjusted discount rate was lower/(higher)<br>• The actual ground rent reviews are higher/(lower) |

**31 December 2021**

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
| --- | --- | --- |
| **NZ Properties**<br><br>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<br>• Occupancy has been assumed as 100%<br>• Stabilized occupancy for 1 Albert St is yr3. Includes capex, risk, profit and letting up allowances<br>• Vacancy period between leases: 6-9 months<br>• Risk adjusted discount rate: 6.0% -7.0%<br>• Agreed ground rents | The estimated fair value would increase/(decrease) if:<br><br>• Expected market rental growth is higher/(lower)<br>• Occupancy is (lower)<br>• The lease up periods and letting up costs at 1Albert St are higher/(lower)<br>• The vacancy periods between leases are shorter/(longer)<br>• The risk adjusted discount rate was lower/(higher)<br>• The actual ground rent reviews are higher/(lower) |

# 6. Investment Property held for sale

The US investment property situation at 1700 W.Higgins Road, Des Plains, Chicago is currently for sale. The sale of The Harbour Collection (10 & 12 Viaduct Harbour and 110 Customs Street West, Auckland), is due to be completed in March 2023.

| | 31-Dec-22<br>A$'000 | 30-Jun-22<br>A$'000 |
|---|---|---|
| ***Investment property at fair value*** | | |
| Carrying amount at beginning of year | 75,732 | 29,767 |
| Transfer from non-current assets | - | 49,603 |
| US Billboard asset sale | - | (5,516) |
| Improvements to investment properties – US | (22) | 4,436 |
| Improvements to investment properties – NZ | 1,874 | - |
| Lease straight lining | 97 | 1,033 |
| Change in fair value of investment property | (4,269) | (4,833) |
| Net foreign currency (loss)/gain exchange movements | 2,171 | 1,242 |
| **Carrying amount end of year** | **75,583** | **75,732** |

# 7. Financial liabilities

| | 31-Dec-22 A$'000 | 30-Jun-22 A$'000 |
|---|---|---|
| **Current** | | |
| Bank Loans secured – amortised cost (a) | 18,450 | 116,874 |
| Financial liabilities Non-Bank Subordinated Bridge loan – amortised cost (e) | 60,522 | 53,886 |
| **Non-current** | | |
| Bank Loans secured – amortised cost (b) & (c) | 134,498 | 18,145 |
| **Total loans and borrowings** | **213,470** | **188,905** |

## Bank Loans – terms and conditions

### a. 1700 Higgins Loan

On 28 April 2022 the Consolidated Entity refinanced the 1700 Higgins loan with a new secured loan of US$12.5m. The loan was refinanced with the maturity date of 28 October 2023. The interest rate is a 3.75% p.a. margin on the applicable rate (prime rate).

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

| | US$ | A$ |
|---|---|---|
| Loan limit | $12.5m | $18.4m |
| Funding drawn to date for IT/LC/Capex – committed: | $12.5m | $18.4m |
| Maturity date: 23 October 2023 | | |

### b. New Zealand Debt Facility - Senior

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 23 October 2024. The interest rate is a 3.0% p.a. margin on BKBM rate. The loan is secured by charges over all the NZ properties and is fully drawn.

| | NZ$ | A$ |
|---|---|---|
| Loan limit | $88.49m | $82.6m |

### c. New Zealand Debt Facility - Junior

The junior lender is with Alceon Investment Management Pty Ltd. The interest rate is a 7% p.a. margin on BKBM rate with interest being capitalised. The capitalisation limit is NZ$13,500,000. The loan is fully drawn with a maturity date of 23 May 2025.

| | NZ$ | A$ |
|---|---|---|
| Loan limit | $55.0m | $51.9m |

### d. New Zealand Debt Facility - Capex

A facility for the Formery development was secured with Bank of New Zealand for NZ$31,738,802. The interest rate is a 3% p.a. margin on BKBM rate with a maturity date of 23 October 2024. This facility has not yet been drawn again.

## e. Non-Bank Subordinated Bridge loan

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

Mezzanine loan limit of A$49.0m plus interest to repayment date.

- Interest rate – up to 14% annualised, accrued monthly and capitalised
- Maturity date – extended to 30 September 2023

| | **A$** |
|---|---|
| Loan limit | $49.0m |
| Drawn | $49.2m |
| Accrued interest and additional drawings | $11.3m |
| Total loan balance | $60.5m |

# 8. Capital and reserves

### Capital management

Trust gearing at 31 December 2022 (debt to total assets, excluding right of use assets) on the NZ & US banking facilities is 42.5% (30 June 2022: 44.4%) and for total borrowing including the non-bank loan is 59.4% (30 June 2022: 62.1%).

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-22 | | 30-Jun-22 | |
|---|---|---|---|---|
| | **No. of units** | **$'000** | **No. of units** | **$'000** |
| Opening balance | **80,342,150** | **286,048** | 80,342,150 | 286,048 |
| **Closing balance** | **80,342,150** | **286,048** | 80,342,150 | 286,048 |

# 9. Earnings/(Loss) per unit

The calculation of basic earnings/(loss) per unit at 31 December 2022 was based on the loss from continuing operations of the Trust of $14,589,000 (31 December 2021 loss: $12,608,000) and a weighted average number of units outstanding of 80,342,150 (31 December 2021: 80,342,150), calculated as follows:

| | As at 31-Dec-22 $'000 | As at 31-Dec-21 $'000 |
|---|---|---|
| Net profit/(loss) attributable to unitholders of the Trust | **(14,589)** | **(12,608)** |

| | As at 31-Dec-22 | As at 31-Dec-21 |
|---|---|---|
| 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.

# 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-22** | **USA** | **Australia** | **New Zealand** | **Total** |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| External revenues | 1,822 | - | 5,945 | 7,767 |
| Interest income | - | - | - | - |
| Net gain on foreign exchange | - | 31 | - | 31 |
| Net loss on financial instruments | - | (248) | - | (248) |
| Other income/(expense) | - | - | - | - |
| Total income | 1,822 | (217) | 5,945 | 7,550 |
| Borrowing costs | 842 | 904 | 7,368 | 9,114 |
| Other operating expenses | 1,511 | 1,985 | 5,260 | 8,756 |
| Total expenses | 2,353 | 2,889 | 12,628 | 17,870 |
| Changes in fair value of investment properties | (76) | - | (4,193) | (4,269) |
| Loss before income tax | (607) | (3,106) | (10,877) | (14,589) |
| Income tax | - | - | - | - |
| **Loss after income tax** | **(607)** | **(3,106)** | **(10,877)** | **(14,589)** |
| | | | | |
| **Segment assets** | **27,235** | **2,494** | **308,152** | **337,881** |
| | | | | |
| **Segment liabilities** | **20,322** | **63,225** | **157,067** | **240,614** |

## 10. Operating segments (continued)

| Consolidated Entity – 6 months ended 31-Dec-21 | USA<br>$'000 | Australia<br>$'000 | New Zealand<br>$'000 | Total<br>$'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** |

# 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 2022 there were no units held by the Responsible Entity (31 December 2021: 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 449,221 units (0.6%) in the Trust.

## Related party investments held by the Trust

As at 31 December 2022 the Trust held no investments in the Responsible Entity or their associates (31 December 2021: Nil).

## 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 | 31-Dec-22 $'000 | 31-Dec-21 $'000 |
|---|---|---|---|
| **Transactions with related parties - Consolidated** | | | |
| *Charged by the Responsible Entity and related parties:* | | | |
| Responsible Entity/Management fees | see iii below | **1,135,553** | 1,153,614 |
| Capital arrangement fee | | **810,876** | - |
| Expense recoveries | | **199,999** | 199,998 |
| Loan interest – Alceon Group Pty Limited | see ii below | **4,085,665** | 2,753,014 |
| **Total charges by the Responsible Entity and related parties** | | **6,232,093** | 4,106,626 |
| | | | |
| **Balances outstanding with related parties - Consolidated** | | | |
| *To the Responsible Entity (included in payables)* | | | |
| Responsible Entity fees | | **2,528,494** | 854,574 |
| Non-bank bridge loan -Alceon Group Pty Limited | | **60,522,301** | 48,647,333 |
| **Total balances outstanding with related parties** | | **63,050,795** | 49,501,907 |
| | | | |
| **Unsecured loan receivable - Consolidated** | | | |
| Quattro RE Limited | | **566,839** | 946,839 |
| **Total unsecured loan receivable** | | **566,839** | 946,839 |

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

# 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 2022.

## 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-22 | | 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 | - | 643 | - | 643 | - | - | - | 643 |
| Other assets | 3 | - | 567 | - | 567 | - | - | - | 567 |
| Cash and cash equivalents | | - | 1,525 | - | 1,525 | - | - | - | 1,525 |
| **Financial assets measured at fair value*** | | | | | | | | | |
| Derivatives | 3 | 104 | 104 | - | 104 | - | 104 | - | 104 |
| **Financial liabilities measured at amortised cost** | | | | | | | | | |
| Trade payables | 4 | - | - | 7,065 | 7,065 | - | - | - | 7,065 |
| Lease liabilities | | - | - | 20,079 | 20,079 | - | - | - | 20,079 |
| Bank loans | 6 | - | - | 213,470 | 213,470 | - | - | - | 213,470 |
| **30-Jun-22** | | | | | | | | | |
| **Financial assets measured at amortised cost** | | | | | | | | | |
| Trade and other receivables | 2 | - | 655 | - | 655 | - | - | - | 655 |
| Other assets | 3 | - | 567 | - | 567 | - | - | - | 567 |
| Cash and cash equivalents | | - | 1,051 | - | 1,051 | - | - | - | 1,051 |
| **Financial assets measured at fair value*** | | | | | | | | | |
| Derivatives | 3 | 352 | - | 352 | 352 | - | 352 | - | 352 |
| **Financial liabilities not measured at amortised cost** | | | | | | | | | |
| Trade payables | 4 | - | - | 8,678 | 8,678 | - | - | - | 8,678 |
| Lease liabilities | | - | - | 18,795 | 18,795 | - | - | - | 18,795 |
| Bank loans | 6 | - | - | 188,905 | 188,905 | - | - | - | 188,905 |

* 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.

## 12. Financial instruments (continued)

The fair value of derivates that are not 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 2022 Annual Report, there were no capital management initiatives for the six months ended 31 December 2022.

## 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 ASX and NZX approved the delisting of the Trust Trust in January 2023. A General Meeting of members will be held on the 28th February to vote on a resolution to delist and become an unlisted Trust. If the meeting passes the resolution, the Trust will open the Withdrawal Offer and the Small Holdings Redemption Facility for members who do not wish to retain interests in the unlisted Trust.

There are no matters or circumstances that have arisen since 31 December 2022 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"):

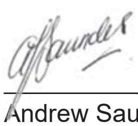
(a) the consolidated financial statements and notes, set out on pages 11 to 31, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 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 2023

**Pitcher Partners Sydney Partnership**

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 2022, 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 2022 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.

**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 2022 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 2023