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**AUCKLAND
REAL ESTATE**

**Financial report for
the year ended
30 June 2021**

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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) (formally Quattro Plus Real Estate - ASX: QPR) present their report together with the financial statements of the Consolidated Entity for the financial year ended 30 June 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.

On 4 December 2020, the Trust changed its name to Auckland Real Estate Trust, from Quattro Plus Real Estate, to better reflect the portfolio of the Trust as well as its strategic focus in the short to medium term. It also changed the composition of the Board of Directors on 4 December 2020.

On 9 December 2020, the Trust, listed as a Foreign Exempt Issuer on the New Zealand Exchange ("NZX") under the NZX code: AKL.

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:

Peter Chai (retired 4 December 2020)
Greg Dyer (appointed 4 December 2020)
Nicholas Hargreaves
Barry Mann (appointed 4 December 2020)
Andrew Saunders
Antony Wood (retired 4 December 2020)

The Directors consider that because the majority of Directors during or since the end of the reporting period were non-executive and independent, an adequate segregation of responsibilities has applied during the 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.

Results for the year ended 30 June 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 profit from continuing operations for the year ended 30 June 2021 was \$54,155,000 (2020: \$9,526,000).

As of 30 June 2021, the Trust's net tangible assets ("NTA") was \$1.76 per unit (30 June 2020: \$1.11). The increase in NTA is attributable to the increase in the total fair value of the property portfolio as of 30 June 2021.

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 NZ\$ and US\$. Movements in the NZ\$/A\$ and US\$/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 as of 30 June 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 as of 30 June 2021 was \$300,591,000 (30 June 2020: \$165,543,000). The Trust owns seven office buildings in Auckland CBD, New Zealand and one office building in Chicago, USA.

The Auckland buildings have been independently valued at 30 June 2021. The Chicago building is held for sale and is held at the value as of 31 December 2020.

The increase in the value of the property portfolio was attributable to the acquisition of 16 Federal Street and 60 Kingston Street, Auckland for A\$53,978,000 in March 2021 and the increase in the fair value of the Trust's investment property as of 30 June 2021.

COVID-19

As of 30 June 2021 there were no rent relief agreements 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 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 Rail Station, 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.
- 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.

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

- The completion of the refurbishment works at 1 Albert Street, allowing the leasing of the building. The building has been well received by the tenant market and is expected to be over 95% leased by the end of the third quarter.
- 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.
- The acquisition of 60 Federal Street and 16 Kingston Street, which together with 87 Federal Street, form the Fusion project, is due to commence major works in late 2021. New office show suites have been complete and a number of new tenants have committed to the project.
- The Chicago property, 1700 W.Higgins is currently being marketed for sale by Colliers International, with bids expected in the third quarter.

The Trust issued a market release on 25 August 2021 which noted a gain in valuations for the property portfolio. As a result, NTA per unit increased to \$1.76 per unit (\$1.11 as of 30 June 2020), a \$0.65 gain per unit.

The increase in NTA is driven by the Trusts' assets in Auckland increasing in value from NZ\$146.90m to NZ\$291.00m. This increase has been driven by two factors:

1. The acquisition of assets and
2. A valuation gain of NZ\$89.10m, based on independent valuations.

The valuation gain of NZ\$89.10m can be summarised as follows, noting the Fusion project has been adjusted net of the acquisition for comparison purposes.

Date of Valuation \$NZm		30-June-20	30-Jun-21	Valuation gain
1 Albert Street		\$72.50	\$125.00	\$52.50
Fusion		\$32.00	\$58.00	\$26.00
The Harbour Collection		\$39.40	\$50.00	\$10.60
				\$89.10

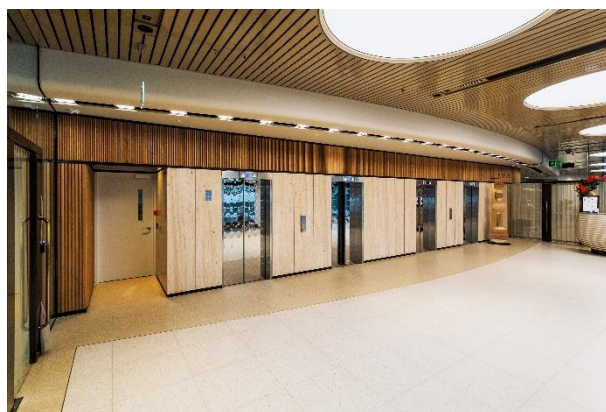
1 Albert Street, Auckland CBD

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 December 2021.

Following completion of the lobby in January 2021, leasing of the building gained momentum and as of 30 June 2021, the building was 65% leased. By the end of August, this had increased to 83% leased with strong tenant demand driving rents. The building is expected to be over 95% leased by the end of the third 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 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 aspirational businesses. 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. Recent leasing activity has attracted several pre-commitments at both 10 Viaduct Harbour and 110 Customs Street West at gross rents in excess of \$950sqm, which underlines tenant demand for the Harbour Collection.

The Fusion project

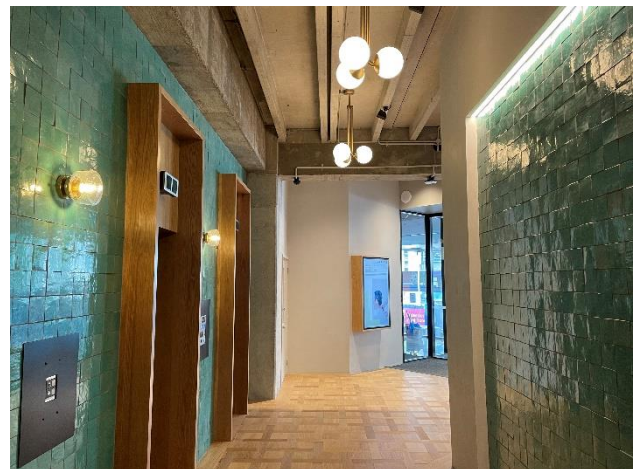
Fusion is the project name for the redevelopment of three adjoining buildings: 87 Albert Street, 60 Federal Street and 16 Kingston Street into an approximately 15,000sqm A-grade office complex.

Refurbishment works are underway, including new office show suites, with the major link works between the buildings commencing in late 2021 which are due to be completed in early 2023. Current works include new lifts, commencement of the new office entrance and the refurbishment of the office areas for new tenants.

Several tenants have committed to the project, including two multi-national companies. In addition, a number of existing tenants have expressed interest in the project, which underlines the demand in this part of the city for quality office space.



87 Albert Street, Auckland



1700 W. Higgins Road, Chicago

The property has been refurbished and is held for sale. Colliers International have been appointed to market the property and bids are expected in the third quarter. As the property is held for sale, the property has not been independently valued and is held at book value.

Capital management and other funding initiatives

On 31 March 2021, the BNZ facility increased by NZ\$41.5m to NZ\$118.49m to partly fund the acquisition of 60 Federal Street and 16 Kingston Street, Auckland and to provide additional funding for redevelopment and refurbishment projects currently underway. As at 30 June 2021, the facility was drawn to NZ\$108.45m.

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 June 2022 and has drawn A\$39.4m at 30 June 2021.

Drawn borrowings from NZ & US banking facilities totalled \$119.5m at 30 June 2021 with Trust gearing at 38.6% (30 June 2020: 44.5%). Total drawn borrowings including the non-bank loan at 30 June 2021 totalled \$160.4m with Trust gearing at 51.8% (30 June 2020: 44.5%). Undrawn borrowings total approximately \$15.0m and are predominately to fund re-positioning and capex works in New Zealand and USA as well as for working capital.

Interest of the Responsible Entity

Mr Andrew Saunders and his associates hold 449,357 units in the Trust. Alceon Group Pty Limited hold 77,061,048 units 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 funds management, assets management, legal, accounting and other services. These costs are included in expense recoveries.

	Note	2021 \$	2020 \$
Transactions with related parties - Consolidated			
<i>Charged by the Responsible Entity and related parties:</i>			
Responsible Entity/Management fees	see i below	1,396,981	1,008,933
Acquisition fees		798,165	478,293
Capital arrangement fees		403,770	251,677
Expense recoveries		268,749	201,250
Loan interest – Alceon Group Pty Limited		379,633	139,951
Total charges by the Responsible Entity and related parties		3,247,298	2,080,104
Balances outstanding with related parties - Consolidated			
<i>To the Responsible Entity (included in payables)</i>			
Responsible Entity fees		-	-
Total balances outstanding with related parties		-	-
Unsecured loan receivable - Consolidated			
Quattro RE Limited		440	150
Total unsecured loan receivable		440	150

i. 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.

Business strategies, prospects, and likely developments

The Trust's investment strategy is to acquire, add value to and retain office assets in Auckland. Value is created by re-positioning the assets to improve rents, executed through a defined tenant focussed workplace product supported by an active leasing strategy.

The Fusion project, which will be completed over the next 18 months, combined with the Harbour Collection provide the Trust further opportunity to improve rents and add value in the near term. The Trust continues to monitor the market for new assets that meet the investment strategy.

As noted in the market release on 25 August 2021, the Trust has commenced discussions with brokers to explore capital raising to support the growth plans of the Trust in New Zealand.

Events subsequent to the end of the reporting period

Leasing across the portfolio has continued to be strong, with tenants committing to new leases at 1 Albert Street, 110 Customs Street West, 10 Viaduct Harbour and the Fusion project.

Negotiations with BNZ to extend and increase the existing facilities for a further 12 months are advanced. The non-bank facility has also been increased and negotiations to extend for a further 12 months are also advanced.

A fire at 1 Albert Street on 1 August 2021, was limited to an open construction site located away from the main building. No material damage was caused to the building and the insurance company has accepted the full insurance claim.

The Trust commenced discussions with brokers in New Zealand in relation to a capital raise and these discussions are progressing.

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 as of 30 June 2021 were \$356,000 (30 June 2020: \$1,107,000). Undrawn borrowings total approximately \$15.0m (see note 15).

The consolidated statement of financial position discloses that the Consolidated Entity had a deficiency of working capital (being the amount of payables in excess of cash and cash equivalents and trade and other receivables) of \$163,386,000 (30 June 2020: \$2,862,000 deficiency). The deficiency of working capital is due to the Financial Liabilities (note 13) maturing within the next 12 months. This is high priority for the Trust and discussions on financing of the company is being secured going forward via the extension and increase of both the existing BNZ facility as well as the non-bank facility. The bank is targeting 30 September 2021 for formal approval. Funding will be further supplemented by the expected disposal of the US asset, with these funds also being used to clear the US financial liability by the loan maturity date.

The deficiency of working capital would be reduced to \$162,242,000 (30 June 2020: \$2,032,000 deficiency) once excluding amounts that are not immediately payable or refundable to tenants. These amounts included in payables are tenant security deposits of \$321,000 (30 June 2020: \$241,000), rent received in advance of \$31,000 (30 June 2020: \$163,000) and accrued real estate taxes of \$792,000 (30 June 2020: \$426,000 which total \$1,144,000 (30 June 2017: \$830,000).

The Responsible Entity has prepared cashflow budgets through to 31 August 2022 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. This also includes the sale of the US Asset.

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.

Indemnification and insurance of officers and auditors

Under the Trust's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

The Trust has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been auditor of the Trust.

Environmental regulations

To the best of Directors' knowledge, the operations of the USA REIT have been conducted in compliance with the environmental regulations existing under USA federal, state, and local legislation.

The valuations in NZ have been made assuming an audit would be available which would satisfy all relevant environmental, and occupational health & safety legislation.

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.

Non-audit services

Pitcher Partners provided non-audit services (tax services) during the financial year as well as their statutory duties as auditor.

The Board of the Responsible Entity has considered the non-audit services provided by Pitcher Partners during the year and is satisfied that the provision of those non-audit services during the year by Pitcher Partners is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Responsible Entity to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Consolidated Entity, acting as an advocate for the Consolidated Entity or jointly sharing risks and rewards.

Details of the amounts paid and due to the auditor of the Consolidated Entity, Pitcher Partners, and its related practices for audit and non-audit services provided during the year were:

Taxation compliance services	\$12,570
Audit – half year review	\$26,250
Audit – full year	\$43,500

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 11 and forms part of the Directors' Report for the year ended 30 June 2021.

Signed in accordance with a resolution of the Responsible Entity:



Andrew Saunders

Director

Sydney, 31 August 2021

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

In relation to the independent audit for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001; and;
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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



R M SHANLEY

Partner

PITCHER PARTNERS

Sydney

31 August 2021

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Statement of Profit or loss (Consolidated)

for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Revenue and other income			
Rental income from investment properties		8,700	8,437
Recoverable outgoings from investment properties		2,694	2,700
Interest income		12	61
Other income		66	98
Net gain/(loss) on financial instruments	16	545	443
Net (loss)/gain on foreign exchange		(19)	(52)
Total revenue and other income		11,998	11,687
Expenses			
Property expenses		5,350	5,038
Lease liability interest	19	1,366	1,482
Responsible Entity fees	22	1,397	1,009
Custodian fees		16	16
Borrowing costs		3,469	3,098
Provision for expected credit loss	8	212	262
Legal fees		262	300
Property general and administrative		859	1,105
Advertising and marketing		907	177
Expense recovery		269	201
Other operating expenses	4	659	441
Total expenses		14,766	13,129
Change in fair value of investment property		56,923	10,968
Profit for the year before income tax		54,155	9,526
Income tax	6	-	-
Profit for the year		54,155	9,526

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

Statement of Comprehensive Income (Consolidated)

for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Profit/(Loss) for the period		54,155	9,526
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Unrealised Foreign currency translation differences - foreign operations		(2,023)	(1,434)
Total other comprehensive income/(loss)		(2,023)	(1,434)
Total comprehensive profit for the period		52,132	8,092
Total comprehensive profit for the period attributable to unitholders		52,132	8,092
Earnings per unit for profit attributable to the ordinary equity holders of the Trust		Cents	Cents
Basic and diluted earnings per unit	17	\$0.67	\$0.14

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

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Statement of Changes in Equity (Consolidated)

as of 30 June 2021

Consolidated Entity	Note	Issued capital \$'000	Translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
2020					
Balance at 1 July 2019	15	261,706	5,301	(210,352)	56,655
Total comprehensive income/(loss) for the period					
Loss for the period		-	-	9,526	9,526
Translation of foreign operations		-	(1,434)	-	(1,434)
Total comprehensive income/(loss) for the period					
		-	(1,434)	9,526	8,092
Transactions with owners, recorded directly in equity					
Units issued	15	24,352	-	-	24,352
Total transactions with owners		24,352	-	-	24,352
Balance at 30 June 2020		286,058	3,867	(200,826)	89,099
2021					
Balance at 1 July 2020		286,058	3,867	(200,826)	89,099
Total comprehensive income/(loss) for the period					
Profit for the period		-	-	54,155	54,155
Translation of foreign operations		-	(2,023)	-	(2,023)
Total comprehensive income/(loss) for the period					
		-	(2,023)	54,155	52,132
Transactions with owners, recorded directly in equity					
Units issued	15	(10)	-	-	(10)
Total transactions with owners		(10)	-	-	(10)
Balance at 30 June 2021		286,048	1,844	(146,671)	141,221

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

Statement of Financial Position (Consolidated)

as of 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	7(a)	356	1,107
Trade and other receivables	8	2,647	1,130
Investment property held for sale	11	29,767	-
Other assets	9	2,372	1,022
Total current assets		35,142	3,259
Non-current assets			
Investment properties	10	270,824	165,543
Right of use assets and net investments in leases	19	19,487	19,495
Other assets	9	3,662	931
Total non-current assets		293,973	185,969
Total assets		329,115	189,228
Current liabilities			
Trade and other payables	12	7,960	5,100
Financial liabilities	13	160,447	-
Total current liabilities		168,407	5,100
Non-current liabilities			
Financial liabilities	13	-	75,534
Lease liabilities	19	19,487	19,495
Total non-current liabilities		19,487	95,029
Total liabilities		187,894	100,129
Net assets		141,221	89,099
Equity			
Issued capital	15	286,048	286,058
Reserves		1,844	3,867
Accumulated losses		(146,671)	(200,826)
Total equity		141,221	89,099

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

Statement of Cash Flow (Consolidated)

for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts in the course of operations		13,470	12,907
Payments in the course of operations		(12,520)	(11,387)
Payments of lease liability interest		(1,366)	(1,482)
Payments of interest and other borrowing costs		(2,973)	(2,699)
Cash receipts from GST refunds		2,443	-
Net cash used in operating activities	7(b)	(946)	(2,661)
Cash flows from investing activities			
Payment to acquire investment property		(53,978)	(32,286)
Payments for improvements to investment properties		(25,722)	(14,731)
Loans from other entities		372	394
Net cash used in investing activities		(79,328)	(46,623)
Cash flows from financing activities			
Proceeds from borrowings		80,129	51,065
Repayment of borrowings		-	(25,936)
Proceeds from issue of units		-	24,391
Transaction costs related to issues of shares, convertible notes or options		-	(20)
Transaction costs relating to borrowings		(536)	(99)
Net cash from financing activities		79,593	49,401
Net increase/(decrease) in cash and cash equivalents		(681)	117
Cash and cash equivalents at 1 July		1,107	1,039
Effect of exchange rate fluctuations on cash held		(70)	(49)
Cash and cash equivalents at 30 June	7(a)	356	1,107

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

Notes to the consolidated financial statements

1. Reporting entity

Auckland Real Estate Trust (“AKL” or “the Trust” - ASX: AKL) (formerly Quattro Plus Real Estate - ASX: QPR), is a registered managed investment scheme under the *Corporations Act 2001*. The consolidated financial report of the Trust as at and for the year ended 30 June 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 reporting period was the derivation of rental income from investment properties located in New Zealand (“**NZ**”) and the United States of America (“**USA**”).

2. Basis of preparation

(a) Statement of compliance

The consolidated financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (“AASBs”) adopted by the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The consolidated financial report also complies with International Financial Reporting Standards (“IRFS”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

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 statements were approved by the Directors of the Responsible Entity on 31 August 2021.

(b) 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 as of 30 June 2021 were \$356,000 (30 June 2020: \$1,107,000). Undrawn borrowings total approximately \$15.0m (see note 15).

The consolidated statement of financial position discloses that the Consolidated Entity had a deficiency of working capital (being the amount of payables in excess of cash and cash equivalents and trade and other receivables) of \$163,386,000 (30 June 2020: \$2,862,000 deficiency). The deficiency of working capital is due to the Financial Liabilities (note 13) maturing within the next 12 months. This is high priority for the Trust and discussions on financing of the company is being secured going forward via the extension and increase of both the existing BNZ facility as well as the non-bank facility. The bank is targeting 30 September 2021 for formal approval. Funding will be further supplemented by the expected disposal of the US asset, with these funds also being used to clear the US financial liability by the loan maturity date.

2. Basis of preparation (continued)

The deficiency of working capital would be reduced to \$162,242,000 (30 June 2020: \$2,032,000 deficiency) once excluding amounts that are not immediately payable or refundable to tenants. These amounts included in payables are tenant security deposits of \$321,000 (30 June 2020: \$241,000), rent received in advance of \$31,000 (30 June 2020: \$163,000) and accrued real estate taxes of \$792,000 (30 June 2020: \$426,000 which total \$1,144,000 (30 June 2017: \$830,000).

The Responsible Entity has prepared cashflow budgets through to 31 August 2022 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. This also includes the sale of the US Asset.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- investment properties are measured at fair value
- financial liabilities are measured at fair value

The methods used to measure fair values are discussed further in Note 3(c), 3(h) and 3(j).

(d) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (“A\$”), which is the Trust’s presentation currency. The Trust’s functional currency is Australian dollars; however, the Consolidated Entity is predominantly comprised of operations located in the USA and New Zealand. The functional currency of the controlled entities that hold these operations is United States dollars (“US\$”) and New Zealand dollars (“NZ\$”).

(e) 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 3(i) 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 13 for further details).

2. Basis of preparation (continued)

- **Lease assets and liabilities - Valuation**

A right-of-use asset and a lease liability was recognised as of 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.

3. Significant accounting policies

Except as set out below and on the following page the accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the Consolidated Entity's financial statements as of 30 June 2020.

(a) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses, have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign currency closing exchange rate ruling at the end of the reporting period.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in the statement of profit or loss and other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at the exchange rate at reporting date. The income and expenses of foreign operations are translated to Australian dollars at the average exchange rate for the year.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve ("Translation reserve") in equity. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Consolidated Entity disposes of only part of its interest in a subsidiary that includes a foreign operation whilst retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

(i) Classification

The Consolidated Entity's financial instruments comprise of:

- derivatives that are measured at fair value comprising foreign exchange contracts
- financial instruments that are classified as loans and receivables including trade and other receivables, which are at amortised cost
- financial liabilities that are not at fair value through profit or loss including trade and other payables and loans and borrowings, which are at amortised cost
- cash and cash equivalents measured at amortised cost.

(ii) Recognition

The Consolidated Entity recognises financial assets and financial liabilities at fair value through profit or loss on the date it becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of AASB 9 *Financial Instruments*.

(iii) Measurement

Financial instruments are measured initially at fair value ("transaction price") plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss and other comprehensive income.

Financial instruments classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any. Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) Derecognition

The Trust derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset, and the transfer qualifies for derecognition in accordance with AASB 9 *Financial Instruments*.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled, or expired.

(v) Fair value measurement principles

The fair value of financial instruments is based on valuation techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

The fair value of derivatives 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.

(vi) Impairment

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition based on reasonable and supportable information that is available, without undue cost or effort to obtain.

(c) Financial instruments (continued)

Where there has been no significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default even that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

(vii) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Derivative financial instruments

The Trust and Consolidated Entity have previously used derivative financial instruments to partially hedge their exposure to interest rate risks arising from investment activities. In accordance with its investment strategy, the Trust and Consolidated Entity holds derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting would be accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred.

(d) Interest income and expense

Interest income and expense is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income and expense includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(e) Expenses

All expenses, including Responsible Entity, Asset management fees and Custodian fees, are recognised in profit or loss on an accrual's basis.

(f) Distribution and taxation

Distributions from the US REIT

Distributions of earnings and profits made by the Trust's subsidiary, Mariner American Property Income REIT, Limited (the "US REIT") for the financial year are not taxable. Distributions that are in excess of its earnings and profits are treated as non-taxable returns of capital to the Trust to the extent of the Trust's adjusted tax cost basis in the units of the US REIT.

Distributions made by the US REIT which are attributable to capital gains from disposal of the US properties are subject to US tax at a special rate of 35%. The Consolidated Entity recognises a deferred tax liability at 35% on the difference between the fair value of the properties and their tax cost base under the US tax regulation. The 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 asset is recognised.

Distributions from the NZ REIT

The NZ REIT is required to return rental income in New Zealand as taxable income. It is allowed to deduct expenditure against this income including depreciation on plant and equipment, fixtures, commercial fit-out and interest expenditure (subject to thin capitalisation). The net taxable income is subject to tax at the company tax rate at 28%. No income tax expense, deferred tax asset or deferred tax liability has been recognised.

Distributions by the head Trust to unitholders in Australia

Provided the Trust distributes its taxable income to unitholders the trust will not be liable to income tax.

Distributions from the Trust to unitholders are from available cash flows and not directly related to the accounting profit. Distributions can be a mixture of tax deferred distributions as well as taxable income distributions. Under current legislation the Trust is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Trust fully distributes its distributable income, calculated in accordance with the Trust Constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the Constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Distributions by the head Trust to unitholders in Australia (continued)

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses the excess is distributed to the unitholders.

(g) Goods and services tax

Management fees, custody fees and other expenses are recognised net of the amount of goods and services tax (“**GST**”) recoverable from the Australian Taxation Office (“**ATO**”) as a reduced input tax credit (“**RITC**”).

Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO or Inland Revenue New Zealand (“**IRD**”) is included in receivables in the statement of financial position. Cash flows are included in the statement as cash flows on a gross basis.

(h) Investment property held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets to be classified as held for sale, they must be available for immediate sale in their present condition.

Non-current assets classified as held for sale are presented on the face of the statement of financial position, in current assets.

(i) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income or for capital appreciation or for both. Land and buildings comprising the investment properties are considered composite assets and are disclosed as such in the accompanying notes to the consolidated financial statements.

Investment properties acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Where the contracts of purchase include a deferred payment arrangement, amounts payable are recorded at their present value, discounted at the rate applicable to the Trust if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Investment properties are subsequently stated at fair value with any change therein recognised in profit or loss. Fair values are based on market 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 had each acted knowledgeably, prudently and without compulsion.

(j) Property valuations

The Trust performs independent valuations for each property at least once every two years that comply with required professional standards, which include the International Valuation Standards (IVS) 2020 and the Property Institute Valuation and Property Standards 2012 edition. Independent valuations may be undertaken earlier where the Responsible Entity believes there is a potential for a change in the fair value of the property.

At 30 June 2021, all NZ investment properties were independently externally valued. The basis of valuations of investment properties is fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

(j) Property valuations (continued)

The external valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

External valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Valuations are predicated on marketing programs with terms of 6-12 months (as stated in the independent valuations) appropriate for the hypothetical sale of individual assets. However, Directors consider that book values may not be realised in the event of a sale without the benefit of an appropriate marketing program.

(k) Rental income

Rental income from investment properties is recognised under AASB 16 Leases, on a straight-line basis over the lease term. Rental income not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance within payables, as rent in advance. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease, on a straight-line basis, as a reduction of lease income.

Lease incentives provided by the Consolidated Entity to lessees, and rental guarantees which may be received from third parties (arising on the acquisition of investment property) are excluded from the measurement of fair value of investment property and are treated as separate assets as presented in Note 10 if applicable. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight-line basis, or a basis which is representative of the pattern of benefits.

Contingent rents based on the future amount of a factor that changes other than with the passage of time including turnover rents and CPI linked rental increases are only recognised when contractually due.

(l) Deferred leasing and tenancy costs

Expenditure on direct leasing and tenancy costs is capitalised and written off over the lease term in proportion to the rental revenue recognised in each financial year.

(m) Deferred income

On settlement of 16 Kingston Street and 60 Federal Street, Auckland a rent retention was held on trust where payments are made monthly for the vacant spaces in these properties. A corresponding receivables account is also held and both accounts are deducted from each month for the sum specified to the Purchaser and to the Vendor.

(n) Operating segments

The Consolidated Entity determines and presents operating segments based on the information provided to the Chief Executive Officer (“CEO”) of the Responsible Entity, who is the Consolidated Entity’s chief operating decision maker.

(o) Adoption of new and revised accounting standards effective as of 30 June 2021

The Trust has adopted all new and amended accounting standards effective for the current year and there is no material impact on their adoption in current or future years.

4. Other operating expenses

	Consolidated	
	2021 \$'000	2020 \$'000
Audit and accounting	92	85
Registry services	24	26
Taxation fees	68	42
Other trust level expenses	475	288
	659	441

5. Auditor’s remuneration

	Consolidated	
	2021 \$	2020 \$
Auditors of the Trust – Pitcher Partners		
Audit and review of the financial reports	69,750	66,250
Taxation services	12,570	12,400
	82,320	78,650

6. Taxation

The Trust is subject to 35% capital gains tax in the U.S.A. on the future disposal of its investment property. In previous years, the Trust recognised a deferred tax liability being 35% of the difference between the fair value in US dollars compared to the tax cost base in US dollars, translated to Australian dollars. However, due to the diminution in value of the investment property, the fair value is now less than the tax cost base and as a result, it is not probable that a capital gains tax liability would arise. As at the reporting date, the fair value of the investment property remains less than the tax cost base.

The Trust has not recognised a deferred tax asset of \$41,218 (2020: \$1,217,302) in relation to the investment property, as it is not probable that future taxable profits will be available against which the Trust can utilise the benefit.

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7(a). Cash and cash equivalents

	Consolidated	
	2021	2020
	\$	\$
Cash held at banks	356	1,107
	356	1,107

7(b). Reconciliation of cash flows from operating activities

	2021	2020
	\$'000	\$'000
Profit/(loss) before tax	54,155	9,526
Adjustments for non-cash items:		
Foreign exchange gain	(526)	52
Amortisation of deferred loan charges and others	310	499
Lease straight-lining	(240)	(442)
Changes in fair value of investment properties	(56,923)	(10,968)
Borrowing costs	3,469	3,098
Bad debts written off	310	262
	555	2,027
Changes in assets and liabilities during the year		
Change in trade and other receivables and other assets	(1,388)	(1,355)
Change in trade and other payables	2,860	215
Borrowing costs paid	(2,973)	(3,548)
		(4,688)
Net cash (used in)/from operating activities	(946)	(2,661)

8. Trade and other receivables

	2021	2020
	\$'000	\$'000
Trade receivables and other receivables	2,839	1,435
Provision for expected credit loss	(192)	(305)
	2,647	1,130

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9. Other assets

	2021 \$'000	2020 \$'000
Current		
Prepaid expenses and acquisition costs	1,230	425
Derivatives (fair value)	1,142	597
	2,372	1,022
Non-current		
Property related deposits*	3,222	781
Loan to Responsible Entity**	440	150
	3,662	931

* 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.

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10. Investment Properties

	2021 \$'000	2020 \$'000
Non-current		
Investment properties – at fair value	270,824	165,542
	270,824	165,542
<i>The movement in the carrying amount is reconciled as follows:</i>		
Carrying amount at the beginning of the period	165,543	108,857
New acquisitions	55,340	34,198
Lease straight-lining	240	237
Improvements to investment properties (including tenant incentives)	25,727	12,733
Deferred rent receivable	2,312	1,330
Asset revaluation increments (ref 10 (ii))	58,430	10,968
Fair value increment/(decrement) (ref 10 (ii))	(1,507)	(1,077)
Gain/(loss) due to foreign currency translation	(5,494)	(1,703)
Transfer to asset held for sale	(29,767)	-
Carrying amount at the end of the period	270,824	165,543
Comprising of:		
Deferred rental income	313	1,330
Deferred leasing costs	-	2,139
Fair value of properties (excluding straight-lining)	270,511	162,074
	270,824	165,543

10. 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 a valuation process for determining the fair value at each reporting date (refer to note 3(i)). 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 adopted 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 knowledgeably, 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 30 June 2021.

The fair value measurement for all eight (8) investment properties, has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 3(i)).

	A\$
1-3 Albert Street, Auckland	116,333,000
10 Viaduct Harbour, Auckland	17,590,000
12 Viaduct Harbour, Auckland	16,612,000
110 Customs St West, Auckland	12,332,000
Fusion (87 Albert St, 16 Kingston St and 60 Federal St, Auckland)	107,957,000
	270,824,000

10. Investment Properties (continued)

(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.

30 June 2021

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p>NZ Properties</p> <p>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.</p>	<ul style="list-style-type: none"> • 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: 6.75% -7.75% • Agreed ground rents 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Expected market rental growth is higher/(lower) • Occupancy is (lower) • The lease up periods and letting up costs at 1 Albert 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)

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10. Investment Properties (continued)

30 June 2020

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p>USA Properties</p> <p>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.</p> <p>NZ Properties</p> <p>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.</p>	<ul style="list-style-type: none"> • Broker opinions of value • Rent escalations: \$0.50 p/a • Current occupancy of 64%, • Assumed stabilized occupancy of 70% in year 3 • Downtime: 9 months • Renewal probability: 75% • Market/exit cap rate: 8.0% <ul style="list-style-type: none"> • 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 • Discount rates: 6.75% - 7.75% • Cap rates: 5.0% - 7.25% • Agreed ground rents 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • 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) <p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • 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)

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10. Investment Properties (continued)

Leases as lessor

The Trust leases out the investment properties under operating leases which are subject to either fixed rent reviews, indexed rent reviews or market rent reviews and subsequent renewals are negotiated with the lessee. No contingent rents are charged. The weighted average lease term at the New Zealand properties as of 30 June 2021 is 1.88 years (2020: 2.92 years). The future minimum lease payments receivable under non-cancellable leases are as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
Leases as lessor		
Less than one year	5,334	5,334
Between one and five years	11,426	11,426
More than five years	7,937	7,937
	24,697	24,697

The Trust has signed an additional 5 leases prior to 30 June 2021 commencing after 1 July 2021 with various lease terms.

11. 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.

	2021 \$'000	2020 \$'000
<i>Investment property at fair value</i>		
Carrying amount at beginning of year	30,872	24,791
Additions	2,642	1,096
Deferred rent receivable	1,999	1,330
Lease straight lining	242	183
Net (loss)/gain from fair value adjustment	(1,194)	3,094
Net foreign currency (loss)/gain exchange movements	(4,794)	378
Carrying amount end of year	29,767	30,872

12. Trade and other payables

	Consolidated	
	2021 \$'000	2020 \$'000
Current		
Trade payables	4,771	3,637
Tenants' security deposits	321	241
Retentions held	108	156
Rent received in advance	31	163
CAM charges payable to tenants	131	143
Accrued real estate taxes	792	426
Accrued interest payable	302	334
Deferred income liability	1,504	-
	7,960	5,100

13. Financial liabilities

	Note	Consolidated	
		2021 \$'000	2020 \$'000
Current			
Financial liabilities Non-Bank Bridge loan – amortised cost		40,894	-
Bank loans secured – amortised cost		119,553	-
Non-current			
Bank loans secured – amortised cost		-	75,534
Total financial liabilities		160,447	75,534

Debt security profile

The debt maturity profile as at the reporting date was as follows:

Property	Loan maturity date		Rate	2021 \$'000	2020 \$'000
1700 Higgins (Secured)	1 February 2022	Floating	LIBOR(USA)	18,622	16,305
1 Albert St, 10-12 Viaduct, 110 Customs St, 87 Albert St, 60 Federal St & 16 Kingston St (Secured)	22 October 2021	Floating	BKBM(NZ)	100,931	59,229
Other borrowings – Subordinate Bridge loan	30 June 2022	Fixed	12.0%	40,894	-
				160,447	75,534

The weighted average debt maturity of the current drawn debt facilities (excluding extension options) is 0.5 years.

14. Current and Non-current financial liabilities

Bank Loans – terms and conditions

1700 Higgins Loan

On 25 January 2019 the Trust refinanced the 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 with options to extend. 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 lender are as follows:

	US\$	A\$
Loan limit:	\$14.0m	\$18.6m
Initial funding:	\$9.7m	\$12.6m
Funding drawn to date for IT/LC/Capex:	\$4.3m	\$6.0m
Undrawn future funding for TI/LC/Capex held in Escrow:	\$1.9m	\$2.6m
Maturity date: 1 February 2022 + extension options		

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 2021. 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:	\$118.5m	\$110.3m
Funding drawn to date:	\$108.4m	\$100.9m
Undrawn future funding Capex:	\$10.0m	\$9.3m

(Non-bank bridge loan) – Alceon Group

The keys terms (limit, repayment and interest rate) of the other loan, Non-bank subordinated bridge loan is as follows:

Mezzanine loan limit of A\$42.5m plus interest to repayment date

- Interest rate – up to 12% annualised, accrued monthly and capitalised
- Maturity date – 30 June 2022

	A\$
Loan limit:	\$42.5m
Funding drawn to date:	\$39.4m
Undrawn future funding Capex:	\$3.1m

14. Current and Non-current financial liabilities (continued)

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows:

	2020	Cashflows	Non-cash changes	Other	2021
	\$'000	\$'000	Foreign exchange movement \$'000	Fair value changes \$'000	\$'000
Long-term borrowings	95,029	-	-	(95,029)	-
Short-term borrowings	-	80,129	4,776	-	179,934
	95,029	80,129	4,776	-	179,934

15. Capital and reserves

Capital management

Trust gearing as of 30 June 2021 (debt to total assets, excluding right of use assets) on the NZ & US banking facilities is 38.6% (30 June 2020: 44.5%) and for total borrowings including the non-bank loan is 51.8% (30 June 2020: 44.5). Undrawn borrowings total approximately \$15.0m (30 June 2020: \$30.8m). 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:

	2021		2020	
	No. of units	\$'000	No. of units	\$'000
Opening balance	80,342,150	286,058	58,168,199	261,706
Pro-rata entitlement offer*	-	(10)	22,173,951	24,352
Closing balance	80,342,150	286,048	80,342,150	286,058

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

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations which are predominantly represented by the Higgins property, NZ entities and intercompany loans. The balance of the translation reserve at 30 June 2021 was \$1,843,000 (30 June 2020: \$3,867,000) and will be realised upon disposal of the property and extinguishment of its corresponding loans.

16. Financial instruments – Fair values and risk management

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e., not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls, and risk limits. Finance identifies, evaluates, and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

(a) 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.

30 June 2021		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	8	-	2,647	-	2,647	-	-	-	2,647
Cash and cash equivalents	7(a)	-	356	-	356	-	-	-	356
Financial assets measured at fair value									
Other assets (Derivatives)	9	3,662	-	1,142	4,804	-	4,804	-	4,804
Financial liabilities measured at amortised cost									
Trade payables	12	-	-	7,960	7,960	-	-	-	7,960
Lease liabilities	19	-	-	19,487	19,487	-	-	-	19,487
Bank loans	13	-	-	160,447	160,447	-	-	-	16,447

16. Financial instruments – Fair values and risk management (continued)

30 June 2020		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		-	1,130	-	1,130	-	-	-	1,130
Cash and cash equivalents	7(a)	-	1,107	-	1,107	-	-	-	1,107
Financial assets measured at fair value									
Other assets (Derivatives)	9	931	-	597	1,528	-	1,528	-	1,528
Financial liabilities measured at amortised cost									
Trade payables	12	-	-	5,100	5,100	-	-	-	5,100
Lease liabilities	19	-	-	19,456	19,456	-	-	-	19,456
Bank loans	13	-	-	75,534	75,534	-	-	-	75,534

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Consolidated Entity's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The strategy on the management of investment risk is driven by the Trust's investment objective. The market risk is managed on a daily basis by the Responsible Entity in accordance with the investment guidelines as outlined in the Trust's PDS and subsequent announcements.

Foreign currency risk

The Trust is exposed to exchange rate fluctuations on its investments in the United States of America ("USA") and New Zealand ("NZ") since its investments is denominated in Australian dollars ("AUD"). The Trust invests in properties in the USA and NZ acquired with USA dollars and NZ dollars loans which provide a partial natural hedge.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

16. Financial instruments – Fair values and risk management (continued)

As at the reporting date, the Consolidated Entity's total gross exposure to financial assets and liabilities which are held in foreign currency at the end of the reporting period was as follows:

	2021			2020		
	AUD \$'000	USD* \$'000	NZD* \$'000	AUD \$'000	USD* \$'000	NZD* \$'000
Cash and cash equivalents	59	2	295	420	126	561
Receivables and other assets	520	49	2,078	158	100	872
Other assets - current	1,538	26	808	606	37	379
Other assets - non-current	441	3,168	53	150	711	70
Payables	(209)	(1,858)	(5,893)	(218)	(1,528)	(3,354)
Loans and borrowings	(40,894)	(18,622)	(100,931)	-	(16,305)	(59,229)
Net statement of financial position exposure	(38,546)	(17,235)	(103,590)	1,116	(16,859)	(60,701)

* These amounts are expressed in AUD but represent financial instruments that are denominated in US dollars and NZ dollars and converted to AUD on consolidation.

Forward foreign exchange contracts

In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. The effects of the statement of financial position at the reporting date were as follows:

	Nominal amount \$'000	Carrying amount \$'000	Change in fair value \$'000
Consolidated			
Forward foreign exchange contracts at 30 June 2021	7,650	1,142	545

16. Financial instruments – Fair values and risk management (continued)

Sensitivity analysis

A reasonably possible strengthening (weakening) of the AUD against the USD and NZD at 30 June 2021 would have affected the measurement of financial instruments and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Consolidated			
	Profit or loss		Equity, net of tax	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
30 June 2021				
USD (10% movement)	315	(315)	(1,179)	1,179
30 June 2020				
USD (10% movement)	864	(864)	(1,274)	1,274
30 June 2021				
NZD (10% movement)	(5,796)	5,796	(7,017)	7,017
30 June 2020				
NZD (10% movement)	(804)	804	(6,704)	3,956

Interest rate risk

The NZ loans and US loan are variable interest rate loans. A strengthening (weakening) of the interest rate would affect the profit and loss. The group manages its interest rate risk in maintaining a mix of variable rates and fixed rate borrowings. The analysis below shows the impact of a 1% interest rate change.

Interest movements – variable rate instruments

	Impact on Borrowing Costs					
	Actual \$'000	2021		Actual \$'000	2020	
		+1% \$'000	-1% \$'000		+1% \$'000	-1% \$'000
Loans and borrowings variable	119,553	1,195	1,195	75,534	755	755
Cash and cash equivalents	356	35	35	1,107	11	11

16. Financial instruments – Fair values and risk management (continued)

Exposures arise predominantly from assets and liabilities bearing non fixed interest rates. The Consolidated Entity's exposure to interest rate risk is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. As at the reporting date, the interest rate profile of the Consolidated Entity's interest-bearing financial instruments as reported was:

	Consolidated	
	2010 \$'000	2020 \$'000
Fixed-rate instruments		
Loans and borrowings	-	-
Lease liabilities	(19,487)	(19,495)
Variable-rate instruments		
Cash and cash equivalents	356	1,107
Loans and borrowings	(160,447)	(75,534)

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Entity's receivables from customers and investments in debt securities.

The Consolidated Entity has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting period. The provision of doubtful debts at 30 June 2021 is \$192,000 (2020: \$305,000) for financial assets that are past due or impaired which are considered to have significant credit risk.

The Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry, country in which customers operate and historical trends.

Trade and other receivables

At 30 June 2021, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

	2021 \$'000	2020 \$'000
USA	49	100
Australia	520	158
New Zealand	2,078	872
	2,647	1,130

16. Financial instruments – Fair values and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation. The Consolidated Entity's liquidity risk is monitored on a monthly basis by the Responsible Entity.

The table below presents cash flows on financial liabilities payable by the Consolidated Entity by remaining contractual maturities at the end of the reporting period. The amounts disclosed are the contractual, undiscounted cash flows:

	Carrying amount \$'000	Total \$'000	<i>Contractual cash flows</i>			
			6 months or less \$'000	6-12 months \$'000	12-24 months \$'000	More than 24 months \$'000
2021						
Non-derivative financial liabilities						
Trade payables	7,960	7,960	7,960	-	-	-
Other loan	-	-	-	-	-	-
Bank loans	160,447	160,447	160,447	-	-	-
Lease liabilities	19,487	19,487	670	670	1,368	16,779
	187,894	187,894	169,077	670	1,368	16,779
2020						
Non-derivative financial liabilities						
Trade payables	5,100	5,100	4,433	667	-	-
Other loan	-	-	-	-	-	-
Bank loan	75,534	75,534	-	-	75,534	-
Lease liabilities	19,495	19,495	670	670	1,368	16,787
	100,129	100,129	5,103	1,337	76,902	16,787

There are no cash flows associated with derivatives that are cash flow hedges and that are expected to occur and impact profit or loss.

16. Financial instruments – Fair values and risk management (continued)

(b) Financial risk management

The Consolidated Entity has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market interest rate risk
- market foreign exchange rate risk

Risk management framework

The Consolidated Entity's Responsible Entity has overall responsibility for the establishment and oversight of the Consolidated Entity's risk management framework. The Responsible Entity has established a framework for developing and monitoring the Consolidated Entity's risk management policies. The Responsible Entity regularly reviews these policies.

The Consolidated Entity's risk management policies are established to identify and analyse the risks faced by the Consolidated Entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities.

The Consolidated Entity's Audit Committee oversee how management monitors compliance with the Consolidated Entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity.

17. Earnings per unit

The calculation of basic earnings/(loss) per unit at 30 June 2021 was based on the profit from continuing operations of the Trust of \$54,155,017 (30 June 2021: \$9,526,263) and a weighted average number of units outstanding of 80,342,150 (30 June 2021: 70,042,774), calculated as follows:

	2021 \$'000	2020 \$'000
Net earnings attributable to unitholders of the Trust	54,155,017	9,526,263
	2021	2020
Weighted average number of units (basic)		
Issued units at 1 July	80,342,150	70,042,774
Weighted average number of units at 30 June	80,342,150	70,042,774

Diluted earnings per unit

As there are no diluting factors in the reporting period and comparative period, the diluted loss per unit is equal to the basic.

18. 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 – 2021	USA	Australia	New Zealand	Total
	\$'000	\$'000	\$'000	\$'000
External revenues	2,927	-	8,467	11,394
Interest income	-	-	12	12
Net loss on foreign exchange	-	(10)	(9)	(19)
Net gain on financial instruments	-	545	-	545
Other income	(46)	111	1	66
Total income	2,881	646	8,471	11,998
Borrowing costs	950	382	2,137	3,469
Other operating expenses	2,358	2,192	6,747	11,277
Total expenses	3,308	2,574	8,884	14,766
Changes in fair value of investment properties	(1,194)	-	58,117	56,923
Profit before income tax	(1,621)	(1,928)	57,704	54,155
Income tax	-	-	-	-
Profit after income tax	(1,621)	(1,928)	57,704	54,155
Segment assets	33,014	2,556	293,545	329,115
Segment liabilities	20,480	41,103	126,311	187,894

18. Operating segments (continued)

Consolidated Entity – 2020	USA	Australia	New Zealand	Total
	\$'000	\$'000	\$'000	\$'000
External revenues	2,827	-	8,310	11,137
Interest income	-	61	-	61
Net loss on foreign exchange	-	(52)	-	(52)
Net gain on financial instruments	-	443	-	443
Other income	77	-	21	98
Total income	2,904	452	8,331	11,687
Borrowing costs	929	187	1,982	3,098
Other operating expenses	2,873	1,681	5,507	10,031
Total expenses	3,772	1,868	7,489	13,129
Change in fair value of investment properties	4,184	-	6,784	10,968
Profit/(loss) before income tax	4,184	(1,416)	7,626	9,526
Income tax	-	-	-	-
Profit/(loss) after income tax	3,316	(1,416)	7,626	9,526
Segment assets	31,847	1,335	156,046	189,228
<i>Segment assets includes:</i>				
Asset revaluation	4,184	-	6,796	10,980
Acquisition of non-current assets	-	-	34,198	34,198
Segment liabilities	17,834	218	82,077	100,129

19. Leases

The Trust has lease arrangements where it is a lessee which are required to be recognised on balance sheet upon adoption of AASB 16. These primarily related to commercial office space (including sub leases of commercial offices where the Trust is the intermediate lessor). The accounting treatment the Trust adopts is different to other leasehold assets as the Trust's leasehold interests are perpetually renewable every 20 years.

Commercial offices

The Trust recognised right of use assets and lease liabilities for these lease arrangements which were previously classified as operating leases. In respect of commercial office leases:

- The Trust also has certain sub lease arrangements in place. For these leases, lease classification was reassessed by reference to the right-of-use asset arising from the head lease. Where the sub leases met the definition of a finance lease under AASB 16, the Trust derecognised the right of use asset for the head lease and recognised a net investment in the lease based on the present value of the lease payments received by the Trust.

The table below shows the movement in the Trust's lease related balances for the period. There are no low value leases or leases less than 12 months that have not been included in the calculation. All ground lease payments are recognised as an interest charge in the Profit and Loss statement.

	Assets	Liabilities
	Right of use assets \$'000	Investment property leaseholds \$'000
Opening balance – 1 July 2019	-	-
AASB 16 adjustment	20,145	(20,145)
Interest charge on lease liabilities	-	(1,482)
Ground lease payments	-	1,482
Change in fair value of financial asset/liability due to foreign exchange	(650)	(650)
Closing balance 30 June 2020	19,495	19,495
Interest charge on lease liabilities	-	(1,366)
Ground lease payments	-	1,366
Change in fair value of financial asset/liability due to foreign exchange	(8)	(8)
Closing balance 30 June 2021	19,487	19,487

20. Parent entity

As at, and throughout, the financial year ended 30 June 2021 the parent entity (“**Parent Entity**”) of the Consolidated Entity was the Trust.

	2021	2020
	\$'000	\$'000
Results of the Parent Entity		
Loss for the year	(759)	(572)
Other comprehensive income	-	-
Total comprehensive loss for the year	(759)	(572)
Financial position of the Parent Entity at year end		
Current assets	2,116	1,184
Non-current assets	114,349	74,874
Total assets	116,465	76,058
Current liabilities	41,103	218
Non-current liabilities	-	-
Total liabilities	41,103	218
Total equity of the Parent Entity comprising of:		
Issued capital	286,048	286,058
Reserves	(3,192)	(3,187)
Accumulated losses	(207,494)	(207,031)
Total equity	75,362	75,840

21. Group entities

	Class of units	Consolidated Entity Interest	
		30 June 2021	30 June 2020
		%	%
Parent Entity			
Auckland Real Estate Trust			
Controlled entities			
Mariner American Property Income REIT, Limited	Ordinary	99.9	99.9
ATT USA 1 Trust	Ordinary	100	100
ATT NZ 1 Trust	Ordinary	100	100
Controlled entities of Mariner American Property Income REIT, Limited			
Mariner Higgins Centre Manager LLC	Ordinary	100	100

The parent entity, ATT USA 1 Trust and ATT NZ 1 Trust are incorporated in Australia whilst all the other controlled entities are incorporated in the USA. Mariner American Property Income REIT Limited has preferred units on issue held by external parties. Ultimately, Auckland Real Estate Trust owns 99.9% of the issued capital of Mariner American Property Income REIT Limited. There are no significant restrictions which restrict the ability of the controlled entities to transfer funds to the parent by way of cash distributions or loan repayments.

22. 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 reporting period were as follows:

Peter Chai (retired 4 December 2020)
Greg Dyer (appointed 4 December 2020)
Nicholas Hargreaves
Barry Mann (appointed 4 December 2020)
Andrew Saunders
Antony Wood (retired 4 December 2020)

Other than as disclosed, The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the Responsible Entity or its key management personnel or their personally related entities at any time during the reporting period.

Unit holdings of the Responsible Entity and its key management personnel

Mr Andrew Saunders, a Director and the Company Secretary of the Responsible Entity, and his associates hold 449,357 units in the Trust. Alceon Group Pty Limited hold 77,061,048 units in the Trust.

Related party investments held by the Trust

As of 30 June 2021, the Trust held no investments in the Responsible Entity or their associates (2020: 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.

22. Related parties (continued)

	Note	2021 \$	2020 \$
Transactions with related parties - Consolidated			
<i>Charged by the Responsible Entity and related parties:</i>			
Responsible Entity/Management fees	see i below	1,396,981	1,008,933
Acquisition fees		798,165	478,293
Capital arrangement fees		403,770	251,677
Expense recoveries		268,749	201,250
Loan interest – Alceon Group Pty Limited		379,633	139,951
Total charges by the Responsible Entity and related parties		3,247,298	2,080,104
Unsecured loan receivable - Consolidated			
Quattro RE Limited		440	150
Total unsecured loan receivable		440	150

i. 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

23. Capital commitments

Commitments for capital works contracted and underway but not yet completed at 30 June 2021 total NZ\$8.4m.

24. Contingent assets and liabilities and commitments

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

25. Events subsequent to reporting date

Leasing across the portfolio has continued to be strong, with tenants committing to new leases at 1 Albert Street, 110 Customs Street West, 10 Viaduct Harbour and the Fusion project.

Negotiations with BNZ to extend and increase the existing facilities for a further 12 months are advanced. The non-bank facility has also been increased and negotiations to extend for a further 12 months are also advanced.

A fire at 1 Albert Street on 1 August 2021, was limited to an open construction site located away from the main building. No material damage was caused to the building and the insurance company has accepted the full insurance claim.

The Trust commenced discussions with brokers in New Zealand in relation to a capital raise and these discussions are progressing.

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 12 to 50, 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 30 June 2021 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (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.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from persons performing the chief executive function and chief financial officer function for the year ended 30 June 2021.
3. The Directors draw attention to Note 2(a) of the financial report which contains a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Responsible Entity:



Andrew Saunders
Director

Sydney, 31 August 2021

**AUCKLAND REAL ESTATE TRUST
ARSN 114 494 503
INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AUCKLAND REAL ESTATE TRUST**

Report on the Audit of the Financial Report

Opinion

We have audited the 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 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Investment properties <i>Refer to Notes 10 and 11 in the Notes to the financial statements.</i></p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Evaluating the Consolidated Entity's processes and assessing the design and operating effectiveness of relevant controls over recording and reporting the determination of the carrying value of investment properties; • Assessing the independence, competence and objectivity of the external valuers; • Assessing the key inputs and assumptions used in the valuations with particular focus on market rental including growth rates, capitalisation and discount rates, and capital expenditure; • Agreeing data used in the valuations to the actual and budgeted financial performance of the properties; • Considering the adequacy of the disclosures in the financial statements.
<p>The Consolidated Entity has interests in commercial investment properties which is carried at a fair value of \$300,591,000 at 30 June 2021 which represents 91.3% of total assets.</p> <p>Fair value is determined by reference to independent valuations, with changes in fair value recognised in the statement of profit or loss and other comprehensive income.</p> <p>Valuations contain a number of key inputs and assumptions. Changes in certain inputs and assumptions can lead to significant changes in the valuation.</p> <p>Note 10 of the financial statements discloses the key inputs and assumptions.</p>	

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Other Information

The Directors of Quattro RE Limited “the Responsible Entity” are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity “the Directors” are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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AUCKLAND REAL ESTATE TRUST
ARSN 114 494 503
INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AUCKLAND REAL ESTATE TRUST



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

R Shanley

Rod Shanley
Partner

31 August 2021

Pitcher Partners

PITCHER PARTNERS
Sydney

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ASX Additional information

Auckland Real Estate Trust (the “Trust”) is a registered managed investment scheme established and domiciled in Australia. The Trust is listed on the Australian Securities Exchange (“ASX”) under the code: QPR. Quattro RE Limited, is the Responsible Entity of the Trust.

The following information in relation to unit holdings is provided as at 19 August 2021.

Substantial unitholders

The number of units held by the Trust’s substantial unitholders and the date on which the last notice was lodged with the ASX are as follows:

	Date of notice	No. of securities	% of issued capital
Alceon Group Pty Limited	8 December 2019	77,061,048	95.92%

Voting rights

The provisions of the *Corporations Act 2001* governing proxies and voting for meetings of members of registered managed investment schemes apply to the Trust except that no objection may be made to any vote cast at a meeting unless the objection is made at the meeting.

For so long as the Trust is listed on the ASX, the Responsible Entity and its associates are entitled to vote their interest on resolutions to remove the Responsible Entity and choose a new Responsible Entity.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holdings:

Range	Securities	%	No. of holders
100,001 and over	80,034,073	99.62	10
10,001 to 100,000	162,743	0.20	7
5,001 to 10,000	75,426	0.09	9
1,001 to 5,000	35,793	0.04	16
1 to 1,000	34,115	0.04	440
Total	80,342,150	100.00	482

The number of security investors holding less than a marketable parcel on 19 August 2021 is 430 and they hold 26,002 securities.

On-market buy back

There is no current on-market buy-back.

ASX Additional information (continued)
Twenty largest equity security holders

The 20 largest holders of quoted equity securities as of 19 August 2021 are set out below:

Name	No. of securities	%IC
ALCEON GROUP PTY LTD	57,578,903	71.67
ALCEON GROUP PTY LTD	19,482,145	24.25
J K M SECURITIES PTY LIMITED	1,500,000	1.87
QUATTRO RE LIMITED	437,879	0.55
MONAL PTY LIMITED	252,526	0.31
GUMIKAZ PTY LTD	202,021	0.25
PRADHI HOLDINGS PTY LTD	151,516	0.19
PALN PTY LTD	151,516	0.19
FARINWAY PTY LTD	151,516	0.19
VIVRE INVESTMENTS PTY LTD	126,051	0.16
ONE MANAGED INVT FUNDS LTD	37,973	0.05
NMJS FAMILY PTY LTD	30,304	0.04
JULIE PARKER PTY LIMITED	30,304	0.04
GRENFELD SUPERATION PTY LTD	21,482	0.03
LAURUS LIMITED	20,000	0.02
KUSHKUSH INVESTMENTS PTY LTD	11,356	0.01
MR ANDREW JOHN SAUNDERS	11,324	0.01
MR JOSHUA CHARLES CARDWELL	10,000	0.01
MR ROBERT GERARD STARCEVICH & MRS SUSAN MARGARET STARCEVICH	10,000	0.01
MR JINXIANG LU	9,401	0.01
MR BENJAMIN ROBERT DILLON	8,211	0.01
HEXT FAMILY INVESTMENTS PTY LTD	8,190	0.01
LYMGRANGE PTY LIMITED	7,776	0.01
MR LINDSAY ARTHUR FORD	7,438	0.01
Total	80,257,832	99.90

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Registered and Administration office

Quattro RE Limited as responsible entity for Quattro Plus Real Estate
Level 26
1 O'Connell Street
Sydney NSW 2000
AUSTRALIA
Phone: 1800 622 812

Company secretary: Mr Andrew Saunders

Unit registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
AUSTRALIA
Phone: 02 8280 7111

Auditor

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

Website

www.aucklandrealestate.co

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