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AUCKLAND
REAL ESTATE

Financial report for the year ended 30 June 2022

Auckland Real Estate is the trading name of Quattro RE Limited,
as responsible entity for Auckland Real Estate Trust,
an Australian registered managed investment scheme
(ARSN 114 494 503)

Contents

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) and its controlled entities ("the Consolidated Entity") present their report together with the financial statements of the Consolidated Entity for the financial year ended 30 June 2022 and the independent auditor's review report thereon.

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

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 Consolidated Entity 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 ("the Directors") during the period and up to the date of this report, unless otherwise stated are as follows:

Greg Dyer
Nicholas Hargreaves
Barry Mann
Andrew Saunders

The Directors consider that because the majority of Directors during or since the end of the 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 and the Controlled Entities is investment in office property with a strategy to add value. The Consolidated Entity 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 2022

The results of the operations of the Consolidated Entity are disclosed in the consolidated statement of profit or loss and other comprehensive income of the financial statements. The Consolidated Entity's loss from continuing operations for the year ended 30 June 2022 was $28,404,000 (2021: $54,155,000 profit).

As of 30 June 2022, the Consolidated Entity's net tangible assets ("**NTA**") was $1.33 per unit (30 June 2021: $1.76). The decrease in NTA is attributable to the increase in borrowing costs, capital expenditure not yet realised in the asset valuations and movement in foreign currency.

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 Consolidated Entity'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 Consolidated Entity's consolidated statement of financial position is prepared using predominately the spot rate as of 30 June 2022.

The Consolidated Entity's consolidated 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 Consolidated Entity's property portfolio as of 30 June 2022 was $299,758,000 (30 June 2021: $300,591,000). The Consolidated Entity 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 2022. The Chicago building is held for sale and is held at the value as of 31 December 2020. The Harbour Collection (10 & 12 Viaduct and 110 Customs Street West, Auckland) are also held for sale and were valued at 30 June 2022 with a NZ$2,650,000 valuation gain.

COVID-19

As of 30 June 2022, 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 Consolidated Entity's property portfolio comprises:

- Auckland CBD, New Zealand:
  - 1 Albert Street, an 8,500sqm NLA premium office building, recently refurbished, located adjacent to Commercial Bay, Auckland's landmark office location.
  - The Formery, 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 Consolidated Entity has continued to execute its investment strategy across the property portfolio, with key steps over the period including:

- The completion of the upcycling and new works at 1 Albert Street, allowing the leasing of the building. The building has been well received by the tenant market with the workspaces leasing prior to completion.
- The Harbour Collection, which comprises the three waterfront properties located in the Viaduct Harbour which have been upcycled and stabilised, have been marketed for sale during the period.
- The Formery upcycling works commenced with the works in progress to complete the first new workspaces and the lobbies.
- The Chicago property, 1700 W.Higgins was re-financed, with the billboard component of the property sold for US$3,250,000.

The Consolidated Entity's NTA per unit has declined over the period to $1.33 per unit. This decrease is attributable to the following factors;

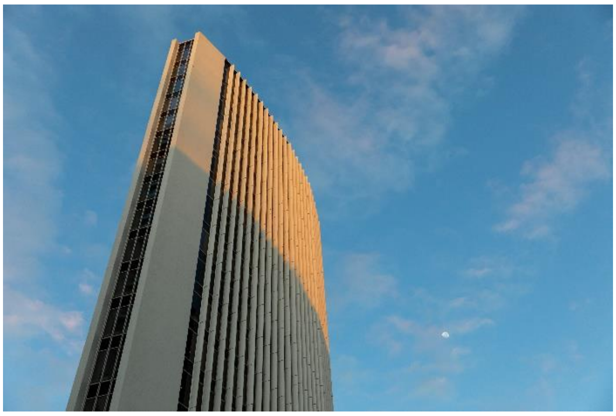
1. The NZ asset portfolio valuation increased from NZ$291,000,000 to NZ$303,400,000, an increase of NZ$12,400,000, however;
2. NZ Capital expenditure recorded in this period totalled NZ$27,404,000. A majority of these costs relate to projects not yet complete therefore this is not reflected in the 30 June 2022 valuation;
3. The debt increased due to capital expenditure by NZ$21,139,000. Borrowing costs relating to the bank debt for the year totalled NZ$4,278,000;
4. The change in fair value of the US property decreased by $0.08 per unit. This is due to capital expenditure and tenant incentives that are fully committed up to the sale of the property;
5. FX movements in the US$ and NZ$ accounted for a decrease of $0.06 per unit.

The Trust appointed a new Financial Controller in New Zealand, as well as increasing the capability of the real estate team to execute the investment strategy and increasing the operations team that delivers the workplace strategy.

Kyndril House - 1 Albert Street, Auckland CBD

The major works at the property are complete and the building is over 95% leased. The final office floor was leased to Kyndril, a global IT company, who also took naming rights. The only remaining area to be leased is the ground level retail unit, which is expected to be leased as the effects on retail from the pandemic clear.

The valuation of Kyndrill House increased from NZ$128,000,000 at 30 December 2021 to NZ$134,000,000 at 30 June 2022. Recent rent reviews have seen gross rents across the building increase to over $900sqm, with the 8,500sqm building on track to generate in excess of $8,000,000 pa gross rent once the retail component is leased.



1 Albert Street, Auckland

The Harbour Collection

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

The Harbour Collection properties were offered for sale during the period and as noted under subsequent events, is subject to an agreement to sell at the 31 December 2021 valuation of NZ$52,350,000, which is slightly lower than the 30 June 2022 valuation of NZ$55,000,000. The agreement is subject to due diligence as this time and is therefore conditional.

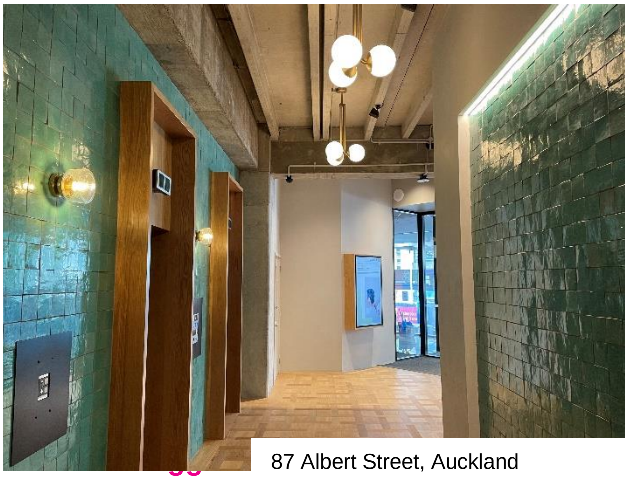
The Harbour Collection was acquired in 2019 for NZ$28,000,000 with a subsequent capital investment of $8,000,000. The properties are now over 92% leased to credit quality tenants providing a long term stable cashflow, with further upside as existing tenants leases come to expiry.

The Formery

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

Several tenants have committed to the project, with the newly re-positioned test floors attracting enquiry. Level 10 of Formery East has been fully leased to Oppo and another tenant. The first two Private Suites at Formery West, which were recently completed, have received solid tenant enquiry, with one workspace leased.

The Formery's valuation decreased from NZ$116,200,000 at 31 December 2021 to NZ$114,400,000 at 30 June 2022 due to perceived adjustments in future market risk. As a result, the at completion value decreased by NZ$10,000,000 to NZ$165,000,000. The at completion valuation is below the Trusts project feasibility. The gap between the valuers at completion valuation and the Trusts is a function of the valuers' methodology, which assumes lower rentals than those being achieved and assumes higher risk allocations for project delivery.



87 Albert Street, Auckland

1700 W. Higgins Road, Chicago

The billboards were sold for US$3,250,000 and the property re-financed in March 2022. Following significant leasing activity, the property is now 90% leased, with the tenant incentives funded from the proceeds of the re-finance. The new tenant's fitout's will be completed by late October 2022.

The property is for sale and as noted in subsequent events, a party has submitted a letter of intent to acquire the property for consideration of up to US$17.5m. The letter on intent is being negotiated and an agreement, which will be subject to due diligence, is expected in the near term.

As the property is held for sale, the property has not been independently valued. At 31 December 2021, the property was held at US$22,250,000, which after adjustment for the sale of the billboards, is US$18,000,000.

Capital management and other funding initiatives

The Consolidated Entity's NZ facility is for NZ$133,500,000 and expires on 23 October 2022. As at 30 June 2022, the facility was drawn to NZ$129,590,000.

As noted under subsequent events, the Consolidated Entity has executed term sheets with a syndicate of lenders, including the current NZ facility lenders, for a total of NZ$188,729,000 over a two year term. This facility includes the funding of the Formery project.

The new facility is expected to be finalised in this coming quarter. The current NZ lenders have agreed to extend the existing facility to allow time for the new facility to close, if needed.

The maturity date for the Alceon Mezzanine Loan (non-bank bridge loan) has been extended and will not mature prior to 30 September 2023.

Drawn borrowings from NZ & US banking facilities totalled $135,019,000 at 30 June 2022 with Trust gearing at 38.6% (30 June 2021: 44.4%). Total drawn borrowings including the non-bank loan at 30 June 2022 totalled $188,905,000 with Consolidated Entity gearing at 62.1% (30 June 2020: 51.8%). Undrawn borrowings total approximately $5,854,000 and are predominately to fund re-positioning and capex works in New Zealand as well as for working capital.

Interest of the Responsible Entity

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

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

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

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

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.

	Note	2022 $	2021 $
Transactions with related parties - Consolidated			
Charged by the Responsible Entity and related parties:			
Responsible Entity/Management fees	see i below	**2,295,590**	1,396,981
Acquisition fees		**-**	798,165
Capital arrangement fees		**88,078**	403,770
Asset disposal fee		**53,551**	-
Expense recoveries		**399,997**	268,749
Loan interest – Alceon Group Pty Limited	see ii below	**6,042,316**	1,181,465
Total charges by the Responsible Entity and related parties		**8,879,532**	4,049,130
Balances outstanding with related parties - Consolidated			
To the Responsible Entity (included in payables)			
Responsible Entity fees		**1,444,497**	-
Non-bank bridge loan – Alceon Group Pty Limited		**53,886,636**	40,894,183
Total balances outstanding with related parties		**55,331,133**	40,894,183
Unsecured loan receivable - Consolidated			
Quattro RE Limited		**566,839**	439,839
Total unsecured loan receivable		**566,839**	439,839

i. Associates for Alceon Group Pty Limited ATF The Alceon ATT Trust & Alceon QPR Trust
ii. Associates for Alceon Group Pty Limited ATF Alceon AKL Mezzanine Trust

Business strategies, prospects, and likely developments

The Consolidated Entity's investment strategy is to acquire, add value to 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 Formery project, which will be completed over the next 12 months. The Consolidated Entity continues to monitor the market for new assets that meet the investment strategy.

Events subsequent to the end of the reporting period

Leasing across the portfolio has continued to be strong, with 1 Albert Street workspaces over 96% leased, the Harbour Collection at 95% leased. The marketing for the Formery has been launched as the first new workspaces were completed in early September, with very positive responses form the tenant market.

The Consolidated Entity has executed credit approved term sheets with a larger syndicate of lenders, which includes the current NZ lenders, that will re-finance the $120,391,000 (NZ$133,490,000) facility with a $170,210,000 (NZ$188,729,000) facility that includes the funding for the Formery development. At settlement, which will occur in the upcoming quarter, $129,410,000 (NZ$143,490,000) will be drawn and $28,625,000 (NZ$31,739,000) provided as a facility to be drawn upon as The Formery project works are undertaken. The term of the facility is 2 years.

The maturity date for the Alceon Mezzanine Loan (non-bank bridge loan) has been extended and will not mature prior to 30 September 2023.

In September 2022, the Consolidated Entity has executed an agreement to sell the Harbour Collection for $47,348,000 (NZ$52,500,000), with settlement expected to occur on 16 December 2022. The proceeds will be used to repay debt.

The Consolidated Entity is reviewing a letter of intent to purchase 1700 W.Higgins for a proposed purchase price of $21,774,000 (US$15,000,000) upon settlement in December 2022.

Going concern

The consolidated financial report of the Consolidated Entity 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 2022 were $1,051,000 (30 June 2021: $356,000). Undrawn borrowings total approximately $5,854,738 (see note 15). The Consolidated Entity's loss from continuing operations for the year ended 30 June 2022 was $28,404,000 (2021: $54,155,000 profit) and net assets of $106,804,000 (2021: $141,221,000).

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 $175,427,000 (30 June 2021: $163,032,000 deficiency). The deficiency of working capital is due to the New Zealand Financial Liabilities and the non-bank loan maturing within the next 12 months (note 13).

As noted in subsequent events, in order to meets its obligations to pay its debts as and when they fall due, the Consolidated Entity has:

- New Zealand Financial Liabilities - executed credit approved term sheets with a larger syndicate of lenders, which includes the current NZ lenders, that will re-finance the $120,391,000 (NZ$133,490,000) facility with a $170,210,000 (NZ$188,729,000) facility that includes the funding for the Formery development. At settlement, which will occur in the upcoming quarter, $129,410,000 (NZ$143,490,000) will be drawn and $28,625,000 (NZ$31,739,000) provided as a facility to be drawn upon as The Formery project works are undertaken. The term of the facility is 2 years (note 25).
- Non-bank loan - A letter of extension has been received for the non-bank bridge loan (Alceon Mezzanine loan) of $52,887,000. This facility was due to mature on 30 September 2022 but will now not mature prior to 30 September 2023 (note 25).
- In September 2022, the Consolidated Entity has executed an agreement to sell the Harbour Collection for $47,348,000 (NZ$52,500,000), with settlement expected to occur on 16 December 2022. The proceeds will be used to repay debt (note 25).
- The Consolidated Entity is reviewing a letter of intent to purchase 1700 W.Higgins for a proposed purchase price of $21,774,000 (US$15,000,000) upon settlement in December 2022.

The Responsible Entity has prepared cashflow budgets through to 31 December 2023 which indicates that the Consolidated Entity 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 Consolidated Entity, 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 Consolidated Entity.

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	$17,300
Audit – half year review	$27,289
Audit – full year	$55,761

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the year ended 30 June 2022.

Signed in accordance with a resolution of the Directors of the Responsible Entity:

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Andrew Saunders

Director

Sydney, 30 September 2022

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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 2022, 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

30 September 2022

Statement of Profit or loss (Consolidated)

for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue and other income			
Rental income from investment properties		12,402	8,700
Recoverable outgoings from investment properties		2,527	2,694
Interest income		5	12
Other income		(58)	66
Fair value movement on derivatives	16	(636)	545
Net (loss) on foreign exchange		(9)	(19)
Total revenue and other income		**14,231**	**11,998**
Expenses			
Property expenses		6,637	5,350
Lease liability interest	19	1,498	1,366
Responsible Entity fees	22	2,295	1,397
Custodian fees		16	16
Borrowing costs		8,112	3,469
Provision for expected credit loss		(49)	212
Legal fees		193	262
Property general and administrative		870	427
Leasing costs		1,015	432
Advertising and marketing		341	907
Expense recovery		400	269
Other operating expenses	4	1,101	659
Total expenses		**22,429**	**14,766**
Gross operational (loss)/profit		**(8,199)**	**(2,768)**
Change in fair value of investment property	10	(14,104)	56,923
Change in fair value of investment property	11	(6,102)	-
Total change in fair value of investment property		**(20,206)**	**56,923**
(Loss)/Profit for the year before income tax		**(28,404)**	**54,155**
Income tax	6	-	-
(Loss)/Profit for the year		**(28,404)**	**54,155**

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

Statement of Other Comprehensive Income (Consolidated)

for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
(Loss)/Profit for the period		**(28,404)**	**54,155**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Unrealised Foreign currency translation differences - foreign operations		(6,013)	(2,023)
Total other comprehensive (loss)/profit		**(6,013)**	**(2,023)**
Total comprehensive (loss)/profit for the period		**(34,417)**	**52,132**
Total comprehensive (loss)/profit for the period attributable to unitholders		**(34,417)**	**52,132**
Earnings per unit for (loss)/profit attributable to the ordinary equity holders of the Trust		**Cents**	**Cents**
Basic and diluted earnings per unit	17	**($0.38)**	**$0.67**

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

Statement of Changes in Equity (Consolidated)
as of 30 June 2022

Consolidated Entity	Note	Issued capital $'000	Translation reserve $'000	Accumulated losses $'000	Total equity $'000
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**
2022					
Balance at 1 July 2021		286,048	1,844	(146,671)	141,221
Total comprehensive income/(loss) for the period					
Loss for the period		-	-	(28,404)	(28,404)
Translation of foreign operations		-	(6,013)	-	(6,013)
Total comprehensive loss for the period		**-**	**(6,013)**	**(28,404)**	**(34,417)**
Transactions with owners, recorded directly in equity					
Units issued	15	-	-	-	-
Total transactions with owners		-	-	-	-
Balance at 30 June 2022		**286,048**	**(4,169)**	**(175,075)**	**106,804**

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 2022

	Note	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	7(a)	1,051	356
Trade and other receivables	8	655	2,647
Investment property held for sale	11	75,732	29,767
Other assets	9	2,305	2,372
Total current assets		**79,743**	**35,142**
Non-current assets			
Investment properties	10	224,026	270,824
Right of use assets and net investments in leases	19	18,795	19,487
Other assets	9	618	3,662
Total non-current assets		**243,439**	**293,973**
Total assets		**323,182**	**329,115**
Current liabilities			
Trade and other payables	12	8,678	7,960
Financial liabilities	13	170,760	160,447
Total current liabilities		**179,438**	**168,407**
Non-current liabilities			
Financial liabilities	13	18,145	-
Lease liabilities	19	18,795	19,487
Total non-current liabilities		**36,940**	**19,487**
Total liabilities		**216,378**	**187,894**
Net assets		**106,804**	**141,221**
Equity			
Issued capital	15	286,048	286,048
Reserves		(4,169)	1,844
Accumulated losses		(175,075)	(146,671)
Total equity		**106,804**	**141,221**

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 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts in the course of operations		18,400	13,470
Payments in the course of operations		(14,571)	(12,520)
Payments of lease liability interest		(1,734)	(1,366)
Payments of interest and other borrowing costs		(5,073)	(2,973)
Cash receipts from GST refunds		3,751	2,443
Net cash from/(used in) operating activities	7(b)	**773**	**(946)**
Cash flows from investing activities			
Payment to acquire investment property		-	(53,978)
Proceeds from disposal of property		5,317	
Payments for improvements to investment properties		(29,120)	(25,722)
Loans from other entities		92	372
Net cash used in investing activities		**(23,711)**	**(79,328)**
Cash flows from financing activities			
Proceeds from borrowings		44,411	80,129
Repayment of borrowings		(19,217)	-
Proceeds from issue of units		-	-
Transaction costs related to issues of shares, convertible notes or options		(482)	-
Transaction costs relating to borrowings		(1,037)	(536)
Net cash from financing activities		**23,675**	**79,593**
Net increase/(decrease) in cash and cash equivalents		**737**	**(681)**
Cash and cash equivalents at 1 July		**356**	**1,107**
Effect of exchange rate fluctuations on cash held		**(42)**	**(70)**
Cash and cash equivalents at 30 June	7(a)	**1,051**	**356**

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) 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 2022 comprises the Trust and its subsidiaries (together referred to as the **"Consolidated Entity"** and individually as **"Group entities"**). The Trust is a for-profit entity. The principal activities of the Consolidated Entity during the 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 ("IFRS") 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 30 September 2022.

(b) Going concern

The consolidated financial report of the Consolidated Entity 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 2022 were $1,051,000 (30 June 2021: $356,000). Undrawn borrowings total approximately $5,854,738 (see note 15). The Consolidated Entity's loss from continuing operations for the year ended 30 June 2022 was $28,404,000 (2021: $54,155,000 profit) and net assets of $106,804,000 (2021: $141,221,000).

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 $175,427,000 (30 June 2021: $163,032,000 deficiency). The deficiency of working capital is due to the New Zealand Financial Liabilities and the non-bank loan maturing within the next 12 months (note 13).

2. Basis of preparation (continued)

(b) Going concern (continued)

As noted in subsequent events, in order to meets its obligations to pay its debts as and when they fall due, the Consolidated Entity has:

- New Zealand Financial Liabilities - executed credit approved term sheets with a larger syndicate of lenders, which includes the current NZ lenders, that will re-finance the $120,391,000 (NZ$133,490,000) facility with a $170,210,000 (NZ$188,729,000) facility that includes the funding for the Formery development. At settlement, which will occur in the upcoming quarter, $129,410,000 (NZ$143,490,000) will be drawn and $28,625,000 (NZ$31,739,000) provided as a facility to be drawn upon as The Formery project works are undertaken. The term of the facility is 2 years (note 25).
- Non-bank loan - A letter of extension has been received for the non-bank bridge loan (Alceon Mezzanine loan) of $52,887,000. This facility was due to mature on 30 September 2022 but will now not mature prior to 30 September 2023 (note 25).
- In September 2022, the Consolidated Entity has executed an agreement to sell the Harbour Collection for $47,348,000 (NZ$52,500,000), with settlement expected to occur on 16 December 2022. The proceeds will be used to repay debt (note 25).
- The Consolidated Entity is reviewing a letter of intent to purchase 1700 W.Higgins for a proposed purchase price of $21,774,000 (US$15,000,000) upon settlement in December 2022.

The Responsible Entity has prepared cashflow budgets through to 31 December 2023 which indicates that the Consolidated Entity 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.

On this basis, no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Trust not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

(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).

- **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 18/19 years and this period also included in the present value calculation.

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

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

- **Tax – non recognition of Deferred Tax 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 2021.

(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 Consolidated Entity 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 Consolidated Entity 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.

(b) Foreign currency (continued)

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 Consolidated Entity 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)

(vi) Impairment (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 lift 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 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.

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, it is determined to be highly probably that the carrying amount will be recovered principally through a sale transaction rather than continuing use.

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 maybe undertaken earlier where the Responsible Entity believes there is a potential for a change in the fair value of the property.

At 30 June 2022, 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) 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.

(n) Adoption of new and revised accounting standards effective as of 30 June 2022

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.

(o) Accounting standards issued but not yet effective

The Consolidated Entity has not adopted any accounting standards not yet mandatorily applicable at balance date. The following standards/amendments are likely to be relevant to the Consolidated Entity in future accounting periods and it has been determined they are unlikely to have material impact.

Name	*Applies to years commencing:*
AASB 2020-3 Annual Improvements 2018 – 2020 and Other Amendments	1 July 2022
AASB 2020-1 Classification of Liabilities as Current or Non-current	1 July 2023
AASB 2021-2 Disclosure of Accounting Policies and Definition of Accounting Estimates	1 July 2023

4. Other operating expenses

	Consolidated	
	2022 $'000	**2021 $'000**
Audit and accounting	**98**	92
Bank and loan extension fees	**174**	49
Registry services	**19**	24
Taxation fees	**54**	68
Filing fees	**101**	100
Other trust level expenses	**655**	326
	1,101	**659**

5. Auditor's remuneration

	Consolidated	
	2022 $	**2021 $**
Auditors of the Trust – Pitcher Partners		
Audit and review of the financial reports	**83,051**	69,750
Taxation services	**17,300**	12,570
	100,351	**82,320**

6. Taxation

The US 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 $4,754,000 (2021: $41,218) 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.

7(a). Cash and cash equivalents

	Consolidated	
	2022 $'000	**2021 $'000**
Cash held at banks	**1,051**	356
	1,051	**356**

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

	Consolidated	
	2022 $'000	**2021 $'000**
(Loss)/profit before tax	**(28,404)**	54,155
Adjustments for non-cash items:		
Foreign exchange gain	**646**	(526)
Amortisation of deferred loan charges and others	**-**	310
Lease straight-lining	**(288)**	(240)
Changes in fair value of investment properties	**20,206**	(56,923)
Borrowing costs	**8,112**	3,469
Bad debts written off	**121**	310
	393	**555**
Changes in assets and liabilities during the year		
Change in trade and other receivables and other assets	**4,735**	**(1,388)**
Change in trade and other payables	**718**	**2,860**
Borrowing costs paid	**(5,073)**	**(2,973)**
Net cash (used in)/from operating activities	**773**	**(946)**

8. Trade and other receivables

	Consolidated 2022 $'000	2021 $'000
Trade receivables and other receivables	**792**	2,839
Provision for expected credit loss	**(137)**	(192)
	655	**2,647**

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2022 $'000	2021 $'000
Opening balance	**192**	305
Additional provisions recognised	**83**	197
Receivables written off during the year as uncollectable	**(138)**	(310)
	137	**192**

9. Other assets

	Consolidated 2022 $'000	2021 $'000
Current		
Prepaid expenses and acquisition costs	**1,953**	1,230
Derivatives (fair value)	**352**	1,142
	2,305	**2,372**
Non-current		
Property related deposits*	**51**	3,222
Loan to Responsible Entity**	**567**	440
	618	**3,662**

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

10. Investment Properties

		Consolidated	
		2022 $'000	**2021 $'000**
Non- current			
Investment properties – at fair value		224,026	270,824
		224,026	**270,824**
The movement in the carrying amount is reconciled as follows:			
Carrying amount at the beginning of the period		270,824	165,543
New acquisitions		-	55,340
Lease straight-lining		-	240
Improvements to investment properties (including tenant incentives)		25,276	25,727
Deferred rent receivable		2,365	2,312
Change in fair value of investment property	(ref 10 (ii))	(14,104)	56,923
Gain/(loss) due to foreign currency translation		(10,732)	(5,494)
Transfer to asset held for sale		(49,603)	(29,767)
Carrying amount at the end of the period		**224,026**	**270,824**
Comprising of:			
Deferred rental income		95	313
Fair value of properties (excluding straight-lining)		223,931	270,511
		224,026	**270,824**

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 Consolidated Entity 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 knowledgably, prudently and without compulsion.

An independent valuation for 1 Albert St and Fusion (87 Albert St 16 Kingston St and 60 Federal St, Auckland) was conducted by Jones Lang LaSalle as of 30 June 2022.

The fair value measurement for all four (4) investment properties, has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 3(i)).

	A$ 2022	**A$ 2021**
1-3 Albert Street, Auckland	120,851,000	116,333,000
Formery (87 Albert St, 16 Kingston St and 60 Federal St, Auckland)	103,175,000	107,957,000
	224,026,000	**224,290,000**

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 2022

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
NZ Properties Discounted cash flows: The valuation model considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth rate, vacancy periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid for by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the determination of an appropriate discount rate takes into consideration the quality and location of the building, tenant credit quality and lease terms.	• Market rental growth: approx. 2.73%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: 6.375% • Agreed ground rents	The estimated fair value would increase/(decrease) if: • Expected market rental growth is higher/(lower) • Occupancy is (lower) • The lease up periods and letting up costs at 1Albert St are higher/(lower) • The vacancy periods between leases are shorter/(longer) • The risk adjusted discount rate was lower/(higher) • The actual ground rent reviews are higher/(lower)

10. Investment Properties (continued)

30 June 2021

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
NZ Properties Discounted cash flows: The valuation model considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth rate, vacancy periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid for by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the determination of an appropriate discount rate takes into consideration the quality and location of the building, tenant credit quality and lease terms.	• Market rental growth: approx. 2.5%p/a • Occupancy has been assumed as 100% • Stabilized occupancy for 1 Albert St is yr3. Includes capex, risk, profit and letting up allowances • Vacancy period between leases: 6-9 months • Discount rates: 6.75% - 7.75% • Cap rates: 5.0% - 7.25% • Agreed ground rents	The estimated fair value would increase/(decrease) if: • Expected market rental growth is higher/(lower) • Occupancy is (lower) • The lease up periods and letting up costs at 1Albert St are higher/(lower) • The vacancy periods between leases are shorter/(longer) • The risk adjusted discount rate was lower/(higher) • The actual ground rent reviews are higher/(lower)

10. Investment Properties (continued)

Leases as lessor

The Consolidated Entity 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 2022 is 6.04 years (2021: 1.88 years). The future minimum lease payments receivable under non-cancellable leases are as follows:

	Consolidated	
	2022 $'000	2021 $'000
Leases as lessor		
Less than one year	11,178	5,334
Between one and five years	28,895	11,426
More than five years	13,801	7,937
	53,874	**24,697**

11. Investment Property held for sale

The US investment property situated at 1700 W.Higgins Road, Des Plains, Chicago was held for sale in the prior year. The Harbour Collection (10 & 12 Viaduct Harbour and 110 Customs Street West, Auckland) are also currently for sale and are expected to be sold within six months from the reporting date.

	Consolidated	
	2022 $'000	2021 $'000
Investment property at fair value		
Carrying amount at beginning of year	29,767	-
Transfer from non-current assets	49,603	29,767
US Billboard asset sale	(5,516)	-
Improvements to investment properties - US	4,436	-
Deferred rent receivable	1,269	-
Lease straight lining	1,033	-
Change in fair value of investment property	(6,102)	-
Net foreign currency (loss)/gain exchange movements	1,242	-
Carrying amount end of year	**75,732**	**29,767**

The amount shown above as transfer from non-current relates to the sale of The Harbour Collection.

12. Trade and other payables

	Consolidated	
	2022 $'000	2021 $'000
Current		
Trade payables	6,375	4,771
Tenants' security deposits	537	321
Retentions held	-	108
Rent received in advance	199	31
CAM charges payable to tenants	-	131
Accrued real estate taxes	983	792
Accrued interest payable	584	302
Deferred income liability	-	1,504
	8,678	**7,960**

13. Financial liabilities

	Consolidated	
	2022 $'000	2021 $'000
Current		
Financial liabilities Non-Bank Bridge loan – amortised cost	53,886	40,894
Bank loans secured – amortised cost	116,874	119,553
Non-current		
Bank loans secured – amortised cost	18,145	-
Total financial liabilities	**188,905**	**160,447**

Debt security profile

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

Property	Loan maturity date		Rate	2022 $'000	2021 $'000
1700 Higgins (Secured)	28 October 2023	Floating	7.5%	18,145	18,622
1 Albert St, The Harbour Collection and Formery (Secured)	22 October 2022	Floating	4.83%	116,874	100,931
Other borrowings – Subordinate Bridge loan	30 September 2022	Fixed	14.0%	53,886	40,894
				188,905	160,447

The weighted average debt maturity of the current drawn debt facilities (excluding extension options) is 0.4 years.

14. Current and Non-current financial liabilities

Bank Loans – terms and conditions

1700 Higgins Loan

On 28 April 2022 the Consolidated Entity refinanced the Higgins loan with a new secured loan of US$12.5m. The loan was refinanced with the maturity date of 28 October 2023. The interest rate is 2.75% p.a. margin on the applicable rate (prime rate). Key terms of the loan are:

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

	US$	A$
Loan limit:	$12.5m	$18.1m
Funding drawn to date for IT/LC/Capex - committed:	$12.5m	$18.1m
Maturity date: 23 October 2023		

New Zealand Debt Facility

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

	NZ$	A$
Loan limit:	$133.5m	$120.4m
Funding drawn to date:	$129.5m	$116.9m
Undrawn future funding Capex:	$4.0m	$3.5m

The Consolidated Entity has executed credit approved term sheets with a larger syndicate of lenders, which includes the current NZ lenders, that will re-finance the NZ$133,500,000 facility with a NZ$188,729,000 facility that includes the funding for the Formery development. At financial close, which will occur in the upcoming quarter, NZ$143,490,000 will be drawn and NZ$31,739,000 provided as a facility to be drawn upon as The Formery project works are undertaken.

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

(Non-bank bridge loan) – Alceon Group

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

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

- Interest rate – up to 14% annualised, accrued monthly and capitalised
- Maturity date – 30 September 2022

	A$
Loan limit:	$49.0m
Funding drawn to date:	$46.7m
Undrawn future funding Capex:	$2.3m

The maturity date for the Alceon Mezzanine Loan (non-bank bridge loan) has been extended and will not mature prior to 30 September 2023.

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

	2021	Cashflows	Non-cash changes		Other	2022
			Foreign exchange movement	Fair value changes		
	$'000	$'000	$'000	$'000	$'000	$'000
Long-term borrowings	-	-	-		18,145	18,145
Short-term borrowings	160,447	25,194	3,264	-	(18,145)	170,760
	160,447	**25,194**	**3,264**	**-**	**-**	**188,905**

15. Capital and reserves

Capital management

Consolidated Entity gearing as of 30 June 2022 (debt to total assets, excluding right of use assets) on the NZ & US banking facilities is 44.4% (30 June 2021: 38.6%) and for total borrowings including the non-bank loan is 62.1% (30 June 2021: 51.8%). Undrawn borrowings total approximately $5.8m (30 June 2021: $15.0m). The undrawn borrowings are to fund re-positioning and capex works in NZ.

The Consolidated Entity 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:

	Consolidated			
	2022		**2021**	
	No. of units	**$'000**	**No. of units**	**$'000**
Opening balance	**80,342,150**	**286,048**	80,342,150	286,058
Pro-rata entitlement offer*	**-**	**-**	-	(10)
Closing balance	**80,342,150**	**286,048**	80,342,150	286,048

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

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 inter-Consolidated Entity loans. The balance of the translation reserve at 30 June 2022 was ($4,169,000) (30 June 2021: $1,843,000) 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 2022		Carrying amount				Fair value			
	Note	Designated at fair value $'000	Cash, Loans and receivables $'000	Other financial assets/ 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	-	655	-	655	-	-	-	655
Other assets	9	-	-	567	567	-	-	-	567
Cash and cash equivalents	7(a)	-	1,051	-	1,051	-	-	-	1,051
Financial assets measured at fair value									
Derivatives	9	352	-	352	352	-	352	-	352
Financial liabilities measured at amortised cost									
Trade payables	12	-	-	8,678	8,678	-	-	-	8,678
Lease liabilities	19	-	-	18,795	18,795	-	-	-	18,795
Bank loans	13	-	-	188,905	188,905	-	-	-	188,905

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

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		-	2,647	-	2,647	-	-	-	2,647
Other assets	9	-	440	-	440	-	-	-	440
Cash and cash equivalents	7(a)	-	356	-	356	-	-	-	356
Financial assets measured at fair value									
Derivatives	9	1,142	-	1,142	1,142	-	1,142	-	1,142
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	-	-	-	160,447

In both the current and prior year, the carrying value of financial assets and financial liabilities held at amortised cost is equivalent to their fair value due to the relative short terms to maturity.

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 Consolidated Entity'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 Consolidated Entity 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 Consolidated 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:

	2022			2021		
	AUD $'000	USD* $'000	NZD* $'000	AUD $'000	USD* $'000	NZD* $'000
Cash and cash equivalents	183	270	598	59	2	295
Trade and other receivables	175	116	364	520	49	2,078
Other assets - current	707	31	1,567	1,538	26	808
Other assets - non-current	567	-	51	441	3,168	53
Payables	(1,734)	(1,898)	(5,046)	(209)	(1,858)	(5,893)
Loans and borrowings	(53,886)	(18,145)	(116,874)	(40,894)	(18,622)	(100,931)
Net statement of financial position exposure	**(52,157)**	**(19,626)**	**(119,340)**	**(38,546)**	**(17,235)**	**(103,590)**

* 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:

Consolidated	Nominal amount $'000	Carrying amount $'000	Change in fair value $'000
Balance as at 1 July 2020		597	
Movement to 30 June 2021	7,650	1,142	545
Refund of deposit – 1 June 2022	-	(154)	-
Forward foreign exchange contracts at 30 June 2022	7,573	352	(636)

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 2022 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 2022				
USD (10% movement)	1,117	(1,117)	(1,432)	1,432
30 June 2021				
USD (10% movement)	315	(315)	(1,179)	1,179
30 June 2022				
NZD (10% movement)	(984)	984	(12,012)	12,012
30 June 2021				
NZD (10% movement)	(5,796)	5,796	(7,017)	7,017

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 Consolidated Entity manages its interest rate risk in maintaining a mix of variables 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					
		2022			**2021**	
	Actual $'000	**+1% $'000**	**-1% $'000**	**Actual $'000**	**+1% $'000**	**-1% $'000**
Loans and borrowings variable	135,019	(1,350)	1,350	119,553	(1,195)	1,195
Cash and cash equivalents	1,051	10	(10)	356	35	(35)

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	
	2022 $'000	**2021 $'000**
Fixed-rate instruments		
Loans and borrowings	(53,886)	(40,894)
Lease liabilities	(18,795)	(19,487)
Variable-rate instruments		
Cash and cash equivalents	1,051	356
Loans and borrowings	(135,019)	(119,553)

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 2022 is $137,000 (2021: $192,000) 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 2022, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

	2022 $'000	**2021 $'000**
USA	**116**	49
Australia	**175**	520
New Zealand	**364**	2,078
	655	**2,647**

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	*Contractual cash flows* 6 months or less $'000	6-12 months $'000	12-24 months $'000	More than 24 months $'000
2022						
Non-derivative financial liabilities						
Trade payables	8,678	8,678	8,678	-	-	-
Other loan	53,887	53,887	53,887	-	-	-
Bank loans	135,019	135,019	116,874	-	18,145	-
Lease liabilities	18,795	18,795	662	662	1,352	16,119
	216,379	**216,379**	**180,101**	**662**	**19,497**	**16,119**
2021						
Non-derivative financial liabilities						
Trade payables	7,960	7,960	7,960	-	-	-
Other loan	40,894	40,894	-	-	40,894	-
Bank loan	119,553	119,553	-	-	119,553	-
Lease liabilities	19,487	19,487	670	670	1,368	16,779
	187,894	**187,894**	**8,630**	**670**	**161,815**	**16,779**

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 2022 was based on the loss from continuing operations of the Trust of $28,404,016 (30 June 2021: $54,155,017) and a weighted average number of units outstanding of 80,342,150 (30 June 2021: 80,342,150), calculated as follows:

	2022 $'000	**2021 $'000**
Net (loss)/earnings attributable to unitholders of the Trust	**(28,404)**	54,155

	2022	**2021**
Weighted average number of units (basic)		
Issued units at 1 July	80,342,150	80,342,150
Weighted average number of units at 30 June	**80,342,150**	**80,342,150**
Earnings per unit for (loss)/profit attributable to the ordinary equity holders of the Trust	**Cents**	**Cents**
Basic and diluted earnings per unit	**($0.35)**	$0.67

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 – 2022	**USA**	**Australia**	**New Zealand**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
External revenues	3,352	-	11,578	14,930
Interest income	-	-	5	5
Net loss on foreign exchange	-	(1)	(9)	(10)
Net gain on financial instruments	-	(636)	-	(636)
Other income	(93)	-	35	(58)
Total income	3,259	(637)	11,609	14,231
Borrowing costs	1,116	360	6,636	8,112
Other operating expenses	2,496	3,361	8,460	14,317
Total expenses	3,612	3,721	15,096	22,429
Changes in fair value of investment properties	(6,097)	-	(14,109)	(20,206)
Profit before income tax	(6,450)	(4,358)	(17,596)	(28,404)
Income tax	-	-	-	-
Profit after income tax	**(6,450)**	**(4,358)**	**(17,596)**	**(28,404)**
Segment assets	**26,545**	**1,632**	**295,005**	**323,182**
Segment liabilities	**20,043**	**55,620**	**140,715**	**216,378**

18. Operating segments (continued)

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
Change in fair value of investment properties	(1,194)	-	58,117	56,923
Profit/(loss) before income tax	(1,621)	(1,928)	57,704	54,155
Income tax	-	-	-	-
Profit/(loss) 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**

19. Leases

The Consolidated Entity 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 Consolidated Entity is the intermediate lessor). The accounting treatment the Trust adopts is different to other leasehold assets as the Consolidated Entity's leasehold interests are perpetually renewable every 20 years.

Commercial offices

The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity.

The table below shows the movement in the Consolidated Entity'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 2020	19,495	19,495
Interest charge on lease liabilities	-	1,366
Ground lease payments	(1,366)	-
Foreign exchange movement	1,358	(1,358)
Closing balance 30 June 2021	19,487	19,487
Interest charge on lease liabilities	-	1,498
Ground lease payments	(1,498)	-
Foreign exchange movement	806	(806)
Closing balance 30 June 2022	**18,795**	**18,795**

20. Parent entity

As at, and throughout, the financial year ended 30 June 2022 the parent entity (**"Parent Entity"**) of the Consolidated Entity was the Trust.

Results of the Parent Entity	**2022 $'000**	**2021 $'000**
Loss for the year	(911)	(469)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(911)**	**(469)**
Financial position of the Parent Entity at year end		
Current assets	1,030	1,762
Non-current assets	129,040	114,703
Total assets	130,070	116,465
Current liabilities	55,620	41,103
Non-current liabilities	-	-
Total liabilities	55,620	41,103
Total equity of the Parent Entity comprising of:		
Issued capital	286,048	286,048
Reserves	(3,193)	(3,193)
Accumulated losses	(208,405)	(207,493)
Total equity	**74,450**	**75,363**

21. Group entities

	Class of units	**Consolidated Entity Interest 30 June 2022 %**	**Consolidated Entity Interest 30 June 2021 %**
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 Entity 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 Consolidated Entity. Related party transactions are transfers of resources, services or obligations between related parties and the Consolidated Entity, 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 Consolidated Entity. Alceon Group Pty Limited is considered a related party due to its significant ownership in the Trust.

Key management personnel

The Consolidated Entity does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Consolidated Entity 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:

Greg Dyer
Nicholas Hargreaves
Barry Mann
Andrew Saunders

Other than as disclosed, The Consolidated Entity 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

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

Related party investments held by the Consolidated Entity

As of 30 June 2022, the Consolidated Entity held no investments in the Responsible Entity or their associates (2021: Nil).

Responsible Entity fees, related party fees and other transactions

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

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

22. Related parties (continued)

	Note	2022 $	2021 $
Transactions with related parties - Consolidated			
Charged by the Responsible Entity and related parties:			
Responsible Entity/Management fees	see i below	**2,295,590**	1,396,981
Acquisition fees		**-**	798,165
Capital arrangement fees		**88,078**	403,770
Asset disposal fee		**53,551**	-
Expense recoveries		**399,997**	268,749
Loan interest – Alceon Group Pty Limited	see ii below	**6,042,316**	1,181,465
Total charges by the Responsible Entity and related parties		**8,879,532**	4,049,130
Balances outstanding with related parties - Consolidated			
To the Responsible Entity (included in payables)			
Responsible Entity fees		**1,444,497**	-
Non-bank bridge loan – Alceon Group Pty Limited		**53,886,636**	40,894,183
Total balances outstanding with related parties		**55,331,133**	40,894,183
Unsecured loan receivable - Consolidated			
Quattro RE Limited		**566,839**	439,839
Total unsecured loan receivable		**566,839**	439,839

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.

i. Associates for Alceon Group Pty Limited ATF The Alceon ATT Trust & Alceon QPR Trust
ii. Associates for Alceon Group Pty Limited ATF Alceon AKL Mezzanine Trust

23. Capital commitments

Commitments for capital works contracted and underway but not yet completed at 30 June 2022 total $5.8m (2021: $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 1 Albert Street workspaces over 96% leased, the Harbour Collection at 95% leased. The marketing for the Formery has been launched as the first new workspaces were completed in early September, with very positive responses form the tenant market.

The Consolidated Entity has executed credit approved term sheets with a larger syndicate of lenders, which includes the current NZ lenders, that will re-finance the $120,391,000 (NZ$133,490,000) facility with a $170,210,000 (NZ$188,729,000) facility that includes the funding for the Formery development. At settlement, which will occur in the upcoming quarter, $129,410,000 (NZ$143,490,000) will be drawn and $28,625,000 (NZ$31,739,000) provided as a facility to be drawn upon as The Formery project works are undertaken. The term of the facility is 2 years.

The maturity date for the Alceon Mezzanine Loan (non-bank bridge loan) has been extended and will not mature prior to 30 September 2023.

In September 2022, the Consolidated Entity has executed an agreement to sell the Harbour Collection for $47,348,000 (NZ$52,500,000), with settlement expected to occur on 16 December 2022. The proceeds will be used to repay debt.

The Consolidated Entity is reviewing a letter of intent to purchase 1700 W.Higgins for a proposed purchase price of $21,774,000 (US$15,000,000) upon settlement in December 2022.

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 13 to 53, 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 2022 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 Consolidated Entity 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 2022.

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, 30 September 2022

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201 Sussex Street
Sydney NSW 2000

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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 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2022 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.

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**
Investment properties *Refer to Notes 10 and 11 in the Notes to the financial statements.*	
The Consolidated Entity has interests in commercial investment properties which is carried at a fair value of $299,758,000 at 30 June 2022 which represents 92.7% of total assets. 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. Valuations contain a number of key inputs and assumptions such as market rental, growth rates, capitalisation and discount rates, and capital expenditures. Changes in certain inputs and assumptions can lead to significant changes in the valuation. Note 10 in the financial statements discloses the key inputs and assumptions.	Our procedures included, amongst others: • Obtaining an understanding and evaluating the design and implementation 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.

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 2022 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.

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.

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 M Shanley
Partner

Pitcher Partners
Sydney

30 September 2022

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 17 August 2022.

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	175,871	0.22	8
5,001 to 10,000	68,016	0.08	8
1,001 to 5,000	31,454	0.04	14
1 to 1,000	32,736	0.04	428
Total	**80,342,150**	**100.00**	**482**

The number of security investors holding less than a marketable parcel on 17 August 2022 is 420 and they hold 26,075 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 17 August 2022 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
MR DENNIS WOOLLAM & MS ANNE-MARIE WINCHESTER		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
MR BARRY ROBERT LEANE & MRS LYNETTE JULIE LEANE		13,128	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
	Total	**80,263,522**	**99.90**

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