

**Newmark Property REIT**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	Newmark Property REIT is a stapled group comprising Newmark Hardware Trust (ARSN 161 274 111) and Newmark Capital (Chadstone) Property Trust (ARSN 648 280 219)
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

**2. Results for announcement to the market**

Newmark Property REIT's financial performance for the period ended 31 December 2021 was materially influenced by the ASX listing in December 2021 and associated activities. This Appendix 4D is required to include consolidated results only and should be read in conjunction with the attached Directors' Report which includes a breakdown of the results.

			\$
Revenues from ordinary activities	up	60.9% to	10,468,459
Profit from ordinary activities attributable to stapled security holders	down	53.4% to	4,349,384
Profit for the half-year attributable to stapled security holders	down	53.4% to	4,349,384
Funds from Operations (FFO)	up	133.3% to	5,679,940
		<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		4.53	14.80
Diluted earnings per share		4.53	14.80

**Distributions**

*Current period*

Details of distributions paid, recommended or declared during the current financial period are as follows:

	<b>Amount per security Cents</b>	<b>Franked amount per security Cents</b>
Final distribution for year ended 30 June 2021 paid on 12 August 2021 to unit holders of Newmark Hardware Trust registered on 30 June 2021	2.250	-
Distribution for the period 1 July 2021 to 7 December 2021 amounting to \$3,731,585 in aggregate to unitholders of Newmark Hardware Trust registered on 7 December 2021	3.890	-
Distribution to security holders of Newmark Property REIT amounting to \$1,235,208 in aggregate for the period from 8 December 2021 to 31 December 2021 to be paid on 11 February 2022 to security holders registered on 31 December 2021	0.680	-

*Prior period*

Details of distributions paid, recommended or declared during the prior financial period (ended 31 December 2020) are as follows:

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**Half-year report**

	<b>Amount per security Cents</b>	<b>Franked amount per security Cents</b>
Distribution to unitholders of Newmark Hardware Trust amounting to \$1,345,695 in aggregate for the quarter ended 30 September 2020 to unitholders registered on 30 September 2020	2.250	-
Distribution to unitholders of Newmark Hardware Trust amounting to \$1,523,900 in aggregate for the quarter ended 31 December 2020 to unitholders registered on 31 December 2020	2.250	-

*Comments*

The profit for the stapled group (31 December 2020: NHT consolidated group) after providing for non-controlling interest amounted to \$4,349,384 (31 December 2020: \$9,341,382).

The loss of Newmark Capital (Chadstone) Property Trust also attributable to stapled security holders for the period ended 31 December 2021 amounted to \$464,375 (31 December 2020: n/a).

For commentary in relation to the operations of the stapled group for the year ended 31 December 2021, refer to the 'Review of Operations' in the attached Responsible Entity's report accompanying the financial statements.

### 3. Net tangible assets

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>177.02</u>	<u>173.15</u>
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
Net tangible assets have been calculated using the following inputs:		
Net assets/(liabilities)	<u>321,551,273</u>	<u>117,571,164</u>
	<b>No. of units</b>	<b>No. of units</b>
Units on issue	181,648,296	67,902,655

### 4. Control gained over entities

On 8 December 2021, the unit capital of Newmark Hardware Trust was stapled to the unit capital of Newmark Capital (Chadstone) Property Trust ('NCP'). For the purposes of financial statement preparation, the stapling has been accounted for as an acquisition with unit capital of NCP presented as non-controlling interests.

### 5. Distribution reinvestment plans

The Distribution Reinvestment Plan will not operate in respect of the distribution.

### 6. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. An 'other matter' paragraph is included in the review report disclosing that no audit opinion has been issued, or review conducted, on the financial statements of Newmark Capital (Chadstone) Property Trust for the period ended 31 December 2020.

**7. Attachments**

The Interim Report of Newmark Property REIT for the half-year ended 31 December 2021 is attached.

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**8. Signed**

A handwritten signature in black ink, appearing to read 'Michael Doble', with a long horizontal flourish extending to the right.

Signed:

Michael Doble  
Chairperson

Date: 22 February 2022

## **Newmark Property REIT**

**Stapled group comprising:**

**Newmark Hardware Trust (ARSN 161 274 111); and  
Newmark Capital (Chadstone) Property Trust (ARSN 648 280 219)**

**Interim Report - 31 December 2021**

**Newmark Property REIT  
Corporate directory  
31 December 2021**

Registered office and principal place of business of Responsible Entity	<p>Newmark REIT Management Limited Level 17, 644 Chapel Street South Yarra, Victoria, 3141</p> <p>Newmark REIT Management Limited is the responsible entity of: - Newmark Hardware Trust (ARSN 161 274 111); and - Newmark Capital (Chadstone) Property Trust (ARSN 648 280 219)</p>	
Directors of Responsible Entity	<p>Michael Doble Melinda Snowden Andrew Erikson Christopher Langford Simon T. Morris (resigned 12 November 2021) Mark Allan</p>	
Company secretary	<p>Peter Hulbert</p>	
Share register	<p>BoardRoom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney, NSW, 2000 Phone: 1300 737 760 (in Aust); +61 2 9290 9600 (International)</p>	
Auditor	<p>ShineWing Australia Level 10, 530 Collins Street Melbourne, VIC, 3000 Phone: +61 3 8635 1800</p>	
Solicitors	<p>Allens Level 28, Deutsche Bank Place 126 Phillip Street Sydney, NSW, 2000 Phone: +61 2 9230 4000</p>	<p>Hall and Wilcox Level 11, Rialto South Tower 525 Collins Street Melbourne, VIC, 3000 Phone: +61 3 9603 3555</p>
Bankers	<p>Commonwealth Bank of Australia Tower 1, Collins Square 727 Collins Street Melbourne, VIC, 3008</p>	<p>Westpac Banking Corporation 150 Collins Street Melbourne, VIC, 3000</p>
Stock exchange listing	<p>Newmark Property REIT stapled securities are listed on the Australian Securities Exchange (ASX code: NPR)</p>	
Website	<p><a href="https://www.newmarkcapital.com.au/funds/newmark-property-reit">https://www.newmarkcapital.com.au/funds/newmark-property-reit</a></p>	
Business objectives	<p>In accordance with Listing Rule 4.10.19 the stapled group confirms that it has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting period in a way that is consistent with its business objectives.</p>	
Corporate Governance Statement	<p>The directors and management of the Responsible Entity are committed to conducting the business of Newmark Property REIT in an ethical manner and in accordance with the highest standards of corporate governance. The Responsible Entity has adopted and substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p>	

## **Newmark Property REIT**

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**31 December 2021**

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**Newmark Property REIT  
Responsible Entity's report  
31 December 2021**

The directors of Newmark REIT Management Limited, the Responsible Entity of Newmark Hardware Trust ('NHT') and Newmark Capital (Chadstone) Property Trust ('NCP'), present their report, together with: (i) the financial statements of the consolidated entity (referred to hereafter as the 'stapled group' or 'Newmark Property REIT') consisting of NHT (and the entities it controlled at the end of, or during, the half-year ended 31 December 2021); and (ii) the financial statements of NCP (which are attached within this financial report).

For the purposes of consolidation of NHT and its controlled entities, NCP is also considered to be a controlled entity of NHT from the date of stapling (being 8 December 2021).

The separate financial statements of NCP are included within this financial report of Newmark Property REIT as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838 as both NHT and NCP are stapled issuers in the same stapled group. This directors report represents the report of both NHT and NCP in reliance upon that instrument.

Fully paid ordinary units of NHT and NCP have been stapled to form stapled securities which have been listed and cannot be traded separately from one another. The stapled securities were admitted to the official list of the Australian Securities Exchange ('ASX') listed on 8 December 2021 and trade under the name 'Newmark Property REIT' (ASX code: NPR).

As the stapling of securities represents a deemed acquisition by NHT of NCP for accounting purposes, the financial statements of Newmark Property REIT represents the following financial information:

*Statement of comprehensive income*

- For period ended 31 December 2021 - financial results of NHT for 6 months to 31 December 2021 combined with financial results of NCP for period 8 December 2021 to 31 December 2021
- For period ended 31 December 2020 - financial results of NHT for 6 months to 31 December 2021

*Statement of financial position*

- As at 31 December 2021 - Consolidated financial position of NHT and NCP (combined)
- As at 30 June 2020 - Consolidated financial position of NHT

**Directors**

The following persons were directors of the Responsible Entity during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Michael Doble - Chairperson and Independent Non-Executive Director  
Melinda Snowden - Independent Non-Executive Director  
Andrew Erikson - Independent Non-Executive Director  
Christopher Langford - Joint Managing Director  
Simon T. Morris - Joint Managing Director (resigned 12 November 2021)  
Mark Allan - Non-Executive Director

**Distributions**

Distributions paid during the financial half-year were as follows:

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
Distribution for the period ended 31 December 2020 of 4.5 cents per ordinary unit	-	2,869,595
Final distribution for the year ended 30 June 2021 of 2.25 cents per ordinary unit	1,995,280	-
Distribution paid for the period 1 July 2021 to 7 December 2021 of 3.89 cents per ordinary unit	3,740,810	-
Distribution declared for the period 8 December to 31 December 2021 of 0.68 cents per stapled security	1,002,989	-
	<u>6,739,079</u>	<u>2,869,595</u>

**Newmark Property REIT  
Responsible Entity's report  
31 December 2021**

**Review of operations**

*Summary of financial performance*

Newmark Property REIT's financial performance for the period ended 31 December 2021 was materially influenced by the ASX listing in December 2021 and associated activities:

- Stapling of two established unlisted property trusts managed by the Newmark Group, being Newmark Hardware Trust and Newmark Capital (Chadstone) Property Trust;
- Equity raising of \$128.3 million; and
- Refinance of existing debt facilities with new senior syndicated secured bank facility.

In addition to the ASX listing and associated activities, Newmark Property REIT continues to deliver on its objective to provide stapled security holders with exposure to a high-quality real estate portfolio targeting consistent and growing distributions.

During the period ended 31 December 2021, Newmark Property REIT settled the acquisition of its Melton property – a freestanding Bunnings that completed construction and commenced trading in February 2021. The property was acquired with a new 12-year lease to the Bunnings Group.

A summary of the financial performance of the group for the period ended 31 December 2021 is set out below.

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
Total revenue	10,468,459	6,506,735
Net profit after tax	4,349,384	9,341,382
Funds from operations ('FFO')	5,679,940	2,434,517
	<b>Cents</b>	<b>Cents</b>
FFO per weighted average number of stapled securities during the period	<u>5.35</u>	<u>3.86</u>

The \$5.0 million decrease in net profit after tax compared to the prior period is mainly attributable to:

- \$4.0 million increase in revenue including through the acquisition of Melton in August 2021, Eastgardens in April 2021 and stapling of Chadstone Trust in December 2021;
- \$0.2 million increase in property expenses due to acquisition of new properties;
- \$0.5 million increase in responsible entity costs;
- \$0.2 million increase in other fund expenses which is mostly attributable to the appointment of a new independent Board of Directors;
- \$0.8 million net increase in finance costs net of interest revenue including a \$0.3 million increase in amortisation of borrowing costs and \$0.5 million increase in interest expense due to acquisition of assets;
- \$0.7 million decrease in performance fees;
- \$5.7 million decrease in net fair value gains on investment properties;
- \$2.0 million increase in listing costs; and
- \$0.3 million increase in acquisition, transaction and legal settlement costs.



**Newmark Property REIT**  
**Responsible Entity's report**  
**31 December 2021**

**Funds from Operations and adjusted funds from operations**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
Net profit for the period	4,349,384	9,341,382
Straight line rental adjustments	(224,525)	(168,395)
Borrowing costs amortisation	430,651	113,698
Listing costs	2,023,171	-
Net changes in fair value through profit and loss	(898,741)	(6,852,168)
Funds from Operations ('FFO')	<u>5,679,940</u>	<u>2,434,517</u>
Less: Maintenance capital expenditure	(131,800)	(52,683)
Less: Leasing capital expenditure	(255,000)	-
Adjusted FFO ('AFFO')	<u><u>5,293,140</u></u>	<u><u>2,381,834</u></u>

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Investment property	449,337,000	320,750,000
Total assets	456,991,964	323,143,531
Net tangible assets	321,551,273	153,927,702
	<b>No.</b>	<b>No.</b>
Number of securities on issue	181,648,297	89,089,167
Net tangible assets per security	\$1.77	\$1.73

**Capital management**

	<b>Consolidated</b>
	<b>31 Dec 2021</b>
	<b>\$</b>
Drawn debt	130,730,332
Debt facility limit	215,000,000
Cash and undrawn debt	90,351,807
Gearing ratio	27.6%
Hedged debt *	0.0%

\* Newmark Property REIT entered interest rate caps on 76.5% of drawn borrowings post 31 December 2021. Refer to Treasury section below.

**Investment properties**

The investment property portfolio at 31 December 2021 consisted of 8 freehold assets, valued at \$449.3 million, compared to \$320.8 million at 30 June 2021. The increase in value was driven by acquisitions of Melton (\$43.6 million) and Chadstone (\$80.0 million) and net fair value remeasurement of investment properties of \$0.9m representing a valuation uplift of \$5.0 million less other acquisition and transaction costs of \$4.1 million.

**Newmark Property REIT  
Responsible Entity's report  
31 December 2021**

**Treasury**

The group entered into a new senior secured syndicated debt facility totalling \$215 million which refinanced all existing debt facilities in December 2021. The facilities comprise a three-year \$215 million term loan facility to be used to fund capital expenditure, acquisitions and general corporate purposes.

As at 31 December 2021 the group had \$130.7 million of drawn debt and a gearing ratio of 27.6%.

Newmark Property REIT entered into interest rate caps with hedged debt as a percentage of drawn debt at 76.5% post 31 December 2021.

**Matters subsequent to the end of the financial half-year**

Subsequent to period end, the stapled group entered into interest rate caps with hedged debt as a percentage of drawn debt at 76.5%.

Apart from interest rate caps noted above, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

**Related party confirmation**

The directors confirm that since listing the Company has complied with, and continues to comply with, its Related Party Transaction Policy which is publicly available.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Responsible Entity's report.

This report is made in accordance with a resolution of the Responsible Entity pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Responsible Entity:



Michael Doble  
Chairperson

22 February 2022  
Melbourne

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF NEWMARK REIT  
MANAGEMENT LIMITED AS RESPONSIBLE ENTITY FOR NEWMARK  
HARDWARE TRUST AND NEWMARK CAPITAL (CHADSTONE) PROPERTY  
TRUST**

As lead auditor, I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



**ShineWing Australia**  
Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 22 February 2022

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**Newmark Property REIT**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2021**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue and other income</b>	5	10,468,459	6,506,735
Net fair value remeasurement of investment properties		898,741	6,806,643
Remeasurement to fair value of derivatives		-	45,525
<b>Expenses</b>			
Borrowing costs amortisation		(430,651)	(113,698)
Custodian fees		(33,642)	(25,889)
Finance costs		(1,855,166)	(1,387,038)
Legal and professional fees		(197,833)	(121,302)
Listing costs		(2,023,171)	-
Management fees		(1,164,058)	(667,199)
Other expenses		(181,209)	(90,784)
Performance fees		-	(725,028)
Property expenses		(1,084,345)	(854,116)
Registry fees		(47,741)	(32,467)
<b>Profit for the half-year</b>		4,349,384	9,341,382
Other comprehensive income for the half-year		-	-
<b>Total comprehensive income for the half-year</b>		<u>4,349,384</u>	<u>9,341,382</u>
Profit for the half-year is attributable to:			
Non-controlling interest		(464,375)	-
Owners of Newmark Hardware Trust		<u>4,813,759</u>	<u>9,341,382</u>
		<u>4,349,384</u>	<u>9,341,382</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(464,375)	-
Owners of Newmark Hardware Trust		<u>4,813,759</u>	<u>9,341,382</u>
		<u>4,349,384</u>	<u>9,341,382</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	17	4.53	14.80
Diluted earnings per share	17	4.53	14.80

Total comprehensive income attributable to non-controlling interest represents the results of Newmark Capital (Chadstone) Property Trust, being an entity that is stapled to the units of Newmark Hardware Trust to form Newmark Property REIT.

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Newmark Property REIT**  
**Statement of financial position**  
**As at 31 December 2021**

	<b>Note</b>	<b>Consolidated</b> <b>31 Dec 2021</b> <b>\$</b>	<b>30 Jun 2021</b> <b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		6,082,139	754,046
Trade and other receivables		24,914	359,225
Other assets		1,415,437	466,572
Total current assets		<u>7,522,490</u>	<u>1,579,843</u>
<b>Non-current assets</b>			
Investment properties	6	449,337,000	320,750,000
Other assets		132,474	813,688
Total non-current assets		<u>449,469,474</u>	<u>321,563,688</u>
<b>Total assets</b>		<u>456,991,964</u>	<u>323,143,531</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		3,213,060	2,307,754
Borrowings		-	47,308,411
Provisions		1,235,208	2,004,506
Other liabilities		1,592,647	1,132,834
Total current liabilities		<u>6,040,915</u>	<u>52,753,505</u>
<b>Non-current liabilities</b>			
Borrowings	7	129,399,776	116,462,324
Total non-current liabilities		<u>129,399,776</u>	<u>116,462,324</u>
<b>Total liabilities</b>		<u>135,440,691</u>	<u>169,215,829</u>
<b>Net assets</b>		<u>321,551,273</u>	<u>153,927,702</u>
<b>Equity</b>			
<i>Attributable to parent unitholder interests</i>			
Issued capital	8	224,119,254	117,044,876
Retained earnings		36,962,011	36,882,826
Parent entity interest - owners of Newmark Hardware Trust		<u>261,081,265</u>	<u>153,927,702</u>
<i>Attributable to non-controlling interests</i>			
Issued capital		49,518,398	-
Retained earnings		10,951,610	-
Non-controlling interests - owners of Newmark Capital (Chadstone) Property Trust		<u>60,470,008</u>	<u>-</u>
<b>Total equity</b>		<u>321,551,273</u>	<u>153,927,702</u>

The current period's financial position is that of the stapled group and therefore incorporates the financial position of Newmark Capital (Chadstone) Property Trust. The comparative period represents the financial position of the Newmark Hardware Trust and its controlled entities prior to the stapling arrangement.

**Newmark Property REIT**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2021**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Retained profits \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 July 2020	67,805,682	32,031,537	-	99,837,219
Profit for the half-year	-	9,341,382	-	9,341,382
Other comprehensive income for the half-year	-	-	-	-
Total comprehensive income for the half-year	-	9,341,382	-	9,341,382
<i>Transactions with owners in their capacity as owners:</i>				
Units issued	20,030,170	-	-	20,030,170
Units redeemed	(8,768,012)	-	-	(8,768,012)
Distributions paid (note 9)	-	(2,869,595)	-	(2,869,595)
Balance at 31 December 2020 - Newmark Hardware Trust	<u>79,067,840</u>	<u>38,503,324</u>	<u>-</u>	<u>117,571,164</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Retained profits \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 July 2021	117,044,876	36,882,826	-	153,927,702
Profit/(loss) for the half-year	-	4,813,759	(464,375)	4,349,384
Other comprehensive income for the half-year	-	-	-	-
Total comprehensive income for the half-year	-	4,813,759	(464,375)	4,349,384
<i>Transactions with owners in their capacity as owners:</i>				
Unit applications prior to stapling (note 8)	28,235,437	-	-	28,235,437
Unit redemptions prior to stapling (note 8)	(22,258,363)	-	-	(22,258,363)
Units issued on completion of stapling arrangement (note 8)	101,097,304	-	-	101,097,304
Initial recognition of unitholder capital in Newmark Capital (Chadstone) Property Trust	-	-	61,180,630	61,180,630
Distributions paid (note 9)	-	(4,734,574)	(246,247)	(4,980,821)
Balance at 31 December 2021 - Newmark Property REIT	<u>224,119,254</u>	<u>36,962,011</u>	<u>60,470,008</u>	<u>321,551,273</u>

The comparative period represents the statement of changes in equity of the Newmark Hardware Trust and its controlled entities for the interim period ended 31 December 2020 (prior to the stapling arrangement). The current period's statement of changes in equity incorporates the stapling of units of Newmark Hardware Trust and Newmark Capital (Chadstone) Property Trust on 8 December 2021 and therefore reflects the equity of the stapled group for the interim period ended 31 December 2021.

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Newmark Property REIT**  
**Statement of cash flows**  
**For the half-year ended 31 December 2021**

	<b>Consolidated</b>	
<b>Note</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Rental and outgoings received (inclusive of GST)	11,176,037	6,337,172
Payments to suppliers (inclusive of GST)	(5,820,323)	(4,313,184)
Interest received	-	1,168
Interest and other finance costs paid	(1,855,166)	(1,544,797)
Net cash from operating activities	3,500,548	480,359
<b>Cash flows from investing activities</b>		
Payments for property deposits	-	(4,750,000)
Payments for investment property	(46,963,734)	(6,493,824)
Net cash acquired on stapling of NCP	299,585	-
Net cash used in investing activities	(46,664,149)	(11,243,824)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	9,097,445
Repayment of borrowings	(75,729,669)	-
Borrowing costs paid	-	(113,698)
Settlement of interest rate swaps	-	(3,366,552)
Issue of unit capital	152,750,545	20,030,170
Redemptions of units paid	(22,258,164)	(8,457,637)
Distributions paid	(6,271,018)	(2,635,937)
Net cash from financing activities	48,491,694	14,553,791
Net increase in cash and cash equivalents	5,328,093	3,790,326
Cash and cash equivalents at the beginning of the financial half-year	754,046	4,672,603
Cash and cash equivalents at the end of the financial half-year	6,082,139	8,462,929

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Note 1. General information**

The financial statements are those of Newmark Property REIT as a group consisting of Newmark Hardware Trust (the 'Trust', 'parent entity' or 'NHT') and the entities it controlled at the end of, or during, the half-year and Newmark Capital (Chadstone) Property Trust ('NCP') (collectively referred to as 'Newmark Property REIT', 'group' or 'stapled group') (refer to note 2). The financial statements are presented in Australian dollars, which is Newmark Property REIT's functional and presentation currency.

The trusts comprising the Newmark Property REIT stapled group represent managed investment schemes registered in Australia. The governing body and responsible entity of the schemes' is Newmark REIT Management Limited ('the Responsible Entity'). Its registered office and principal place of business is:

Level 17, 644 Chapel Street  
South Yarra  
Victoria, 3141

A description of the nature and results of the stapled group's operations for the period are included in the Responsible Entity's report which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of the Responsible Entity, on 22 February 2022.

**Note 2. Stapling of securities of Newmark Hardware Trust and Newmark Capital (Chadstone) Property Trust and ASX Listing of Newmark Property REIT**

The trust units of Newmark Hardware Trust ('NHT') have been stapled to the trust units of Newmark Capital (Chadstone) Property Trust ('NCP') resulting in stapled securities being held by all investors. The units of both trusts must therefore be traded together as one security. The stapled securities, known as Newmark Property REIT, were admitted to the official list of the Australian Securities Exchange ('ASX') on 8 December 2021 with the ASX code NPR. NHT and NCP remain separate managed investment schemes in accordance with the Corporations Act 2001.

As NHT has been identified as the parent entity in relation to the stapling transaction in accordance with AASB 3 'Business Combinations', the consolidated financial statements of Newmark Property REIT represent a continuation of the consolidated financial statements of NHT. The contributed equity and retained earnings of NCP are shown as non-controlling interests in these financial statements even though the equity holders of NCP (the acquiree) are also equity holders in NHT (the acquirer) by virtue of the stapling arrangement. Refer to note 14 for further details.

*Financial report of Newmark Capital (Chadstone) Property Trust*

As permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838, the financial statements of NCP are presented as a separate section to this financial report.

**Note 3. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by either Newmark Property REIT, NHT or NCP during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.



**Note 3. Significant accounting policies (continued)**

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Newmark Hardware Trust ('NHT' or 'parent entity') as at 31 December 2021 and the results of all subsidiaries (including stapled entities) for the period then ended. NHT, its subsidiaries and stapled entities together are referred to in these financial statements as the 'stapled group'. Refer to note 15 for a list of controlled entities as at period end.

Subsidiaries are all those entities over which the stapled group has control, including entities whose issued capital is stapled to that of the parent entity. The stapled group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the stapled group. They are de-consolidated from the date that control ceases.

Inter-entity transactions, balances and unrealised gains on transactions between entities in the stapled group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the stapled group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the stapled group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the stapled group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The stapled group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Note 3. Significant accounting policies (continued)**

**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the stapled group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the stapled group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the stapled group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**New or amended Accounting Standards and Interpretations adopted**

The stapled group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial half-year ended 31 December 2021 and are not expected to have any significant impact for the full financial year ending 30 June 2022.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'), which is the Fund Manager. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Comparative information**

Where applicable, certain comparative figures are restated in order to comply with the current period's presentation of the financial statements.

#### **Note 4. Operating segments**

##### *Identification of reportable operating segments*

The stapled group comprises a portfolio of eight high-quality large format retail ('LFR') commercial properties in metropolitan, urban centre and key regional locations along the eastern seaboard of Australia.

The stapled group consists of Newmark Hardware Trust ('NHT') and Newmark Capital (Chadstone) Property Trust ('NCP'). NHT comprises a portfolio of seven high-quality commercial properties that includes the Preston property that is currently under construction and due for completion in mid-2022. NCP is a single asset property trust that owns the Chadstone Homeplus Homemaker Centre in Victoria, which also has Bunnings as its major tenant.

Based on the internal reports reviewed and used by the Fund Manager of the Responsible Entity (who is identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources, the stapled group is organised into 2 operating segments being NHT and NCP. In the prior reporting period, the NHT consolidated entity was not stapled to NCP and hence NHT was considered a single segment.

The segments exhibit similar long-term financial performance and have similar economic characteristics in that both offer large format retail tenancies to large retail businesses. The two segments have been aggregated as separate disclosure of segmental financial information would not produce any incremental benefit to enable users of the financial statements to evaluate the nature and financial effects of the business activities and economic environments in which the stapled group operates.

The aggregated operating segment information is therefore the same information as disclosed in these financial statements of the stapled group and is therefore not duplicated as a separate segment note.

The CODM reviews Funds from Operations ('FFO') on a monthly basis, being cash flows generated by the operations of the stapled group. This is derived as Net Income with non-cash items and financing related cash flows added back. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

##### *Intersegment transactions*

There were no intersegment operating transactions made during the financial period.

##### *Major customers*

During the half-year ended 31 December 2021, approximately 62.9% of the stapled group's external revenue was derived from Bunnings tenancies.

#### **Note 5. Revenue and other income**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
Rental income	9,097,776	5,746,608
Straight line rental adjustment	224,525	168,395
Recoverable outgoings	798,423	590,564
Other cost recoveries	13,068	-
Interest income	330,000	1,168
Other income	4,667	-
	<hr/>	<hr/>
Revenue and other income	<u>10,468,459</u>	<u>6,506,735</u>

##### *Disaggregation of revenue*

##### *Disaggregation of income*

The revenue from property rental and other property income is recognised on a straight-line basis over the lease term. Recoverable outgoings are recognised when the right to recover property charges arises. Management fee income is recognised over time as services are rendered. All revenue is generated within Australia.

**Note 6. Non-current assets - investment properties**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$</b>	<b>\$</b>
Investment properties - at independent valuation	<u>449,337,000</u>	<u>320,750,000</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:		
Opening fair value	320,750,000	217,000,000
Purchases	43,587,000	90,000,000
Capitalised acquisition fees	3,876,734	6,511,058
Straight line rental adjustment	224,525	432,299
Revaluation increments	898,741	6,806,643
Additions from NCP at time of stapling	<u>80,000,000</u>	<u>-</u>
Closing fair value	<u>449,337,000</u>	<u>320,750,000</u>

*Additions*

On 20 August 2021, NHT completed the acquisition of the Melton Bunnings property for a price of \$43,587,000. The acquisition was settled through a combination of debt and equity.

*Valuations of investment properties*

The basis of the valuation of investment properties is fair value. The scheme documents of each trust require investment properties to be independently valued at least once every three years. In the intervening years, the property valuations may be revised according to the Responsible Entity's assessment of the property market.

Valuations of the Chadstone, Eastgardens, Lake Haven, Launceston, Launceston Bulky Goods, Maroochydore, Preston, Melton and Warragul properties were obtained on 30 September 2021 from an independent valuer, being a member of the Australian Property Institute and having adequate experience in the location and category of investment property being valued.

Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates, returns on investment and the uncertainty created by COVID-19. Any changes in estimates impacts the carrying value of investment property and the fair value adjustment recognised in profit or loss.

*Impact of the COVID-19 pandemic*

The COVID-19 pandemic and the regulatory response has impacted our operations as well those of tenants, resulting in valuation uncertainty for investment properties. This uncertainty affects our ability to reliably determine the key judgements and assumptions used in the property valuations. The Income Capitalisation approach and the Discounted Cash Flow approach are used to arrive at a range of valuation outcomes, from which a best estimate of fair value is derived at a point in time. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

- forecast future income, based on the location, type and quality of the property, which are supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties adjusted to recognise the COVID-19 impact;
- lease assumptions based on current and expected future market conditions after expiry of any current lease;
- the capitalisation rate and discount rate derived from recent comparable market transactions adjusted for COVID-19 to reflect the uncertainty in the amount and timing of cash flows; and
- the impact of government support on tenants and rental schemes giving rise to rent deferrals, rent waivers, and eviction moratoriums.

**Note 6. Non-current assets - investment properties (continued)**

Due to the valuation uncertainty the property values may change significantly and unexpectedly over a relatively short period of time. The property valuations have been prepared based on information that is available at balance date.

For the key inputs used in determining investment property valuations, refer to note 10.

Changes to key inputs would result in changes to the fair value of investment properties. An increase in capitalisation rate and/or discount rate would result in lower fair value, while a decrease in capitalisation rate and/or discount rate will result in higher fair value (with all other factors held constant). The discount rates adopted at 31 December 2021 have broadly remained unchanged from 30 June 2021.

**Note 7. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$</b>	<b>\$</b>
Bank loans	<u>129,399,776</u>	<u>116,462,324</u>

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$</b>	<b>\$</b>
Bank loans	<u>129,399,776</u>	<u>163,770,735</u>

*Assets pledged as security*

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$</b>	<b>\$</b>
Investment properties (note 6)	<u>449,337,000</u>	<u>320,750,000</u>

*Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$</b>	<b>\$</b>
Total facilities		
Bank loans	<u>215,000,000</u>	<u>163,770,735</u>
Used at the reporting date		
Bank loans	<u>129,399,776</u>	<u>163,770,735</u>
Unused at the reporting date		
Bank loans	<u>85,600,224</u>	<u>-</u>

Unamortised capitalised borrowings costs of \$1,330,556 have been netted off against the total loan funds drawn down at reporting date.

**Newmark Property REIT**  
**Notes to the financial statements**  
**31 December 2021**

**Note 7. Non-current liabilities - borrowings (continued)**

Banking arrangements as at 31 December 2021 consist of a syndicated finance facility provided by Commonwealth Bank and Westpac Banking Corporation. The total facility limit amounts to \$215,000,000. The bank facilities were modified on 15 December 2021 for a further term of three years expiring 15 December 2024.

**Note 8. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>Units</b>	<b>Units</b>	<b>\$</b>	<b>\$</b>
Ordinary units - fully paid	-	89,089,167	-	117,044,876
Stapled securities - fully paid	181,648,297	-	224,119,254	-
	<u>181,648,297</u>	<u>89,089,167</u>	<u>224,119,254</u>	<u>117,044,876</u>

*Movements in ordinary unit capital*

<b>Details</b>	<b>Date</b>	<b>Units</b>	<b>\$</b>
Balance	1 July 2021	89,089,167	117,044,876
Units issued	period to 7 December 2021	14,734,938	28,235,237
Units redeemed	period to 7 December 2021	(11,310,058)	(22,258,163)
Units issued to NCP to facilitate stapling	8 December 2021	21,420,200	-
Transfer to stapled securities	8 December 2021	(113,934,247)	(123,021,950)
Balance	31 December 2021	<u>-</u>	<u>-</u>

The average issue and redemption price of NHT units during the period was \$1.93

*Movements in stapled securities*

<b>Details</b>	<b>Date</b>	<b>Units</b>	<b>\$</b>
Balance	1 July 2021	-	-
Transfer from Newmark Hardware Trust ordinary units at date of stapling	8 December 2021	113,934,247	123,021,950
Capital raise via IPO	8 December 2021	67,714,049	105,018,051
Capital raising costs	8 December 2021	-	(3,920,747)
Balance of stapled securities	31 December 2021	<u>181,648,296</u>	<u>224,119,254</u>

During the period, Newmark Property REIT raised capital via IPO for newly issued stapled securities of 67,714,049 at \$1.895 per security. Newmark Hardware Trust's net allocation from the IPO is \$101,095,304.

NCP unit capital is disclosed as non-controlling interests.

*Ordinary units*

Ordinary units entitle the holder to participate in distributions and the proceeds on the winding up of the trust in proportion to the number of and amounts paid on the units held. The fully paid ordinary units have no par value and the trust does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each unit shall have one vote.

**Newmark Property REIT**  
**Notes to the financial statements**  
**31 December 2021**

**Note 8. Equity - issued capital (continued)**

*Stapled securities*

Stapled securities represent the stapling of the ordinary units of Newmark Hardware Trust to the ordinary units of Newmark Capital (Chadstone) Property Trust. Stapled securities are listed on the ASX under code NPR. They entitle the holder to participate in distributions of the stapled group.

*Unit buy-back*

There is no current on-market unit buy-back.

**Note 9. Equity - distributions**

Distributions paid during the financial half-year were as follows:

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
Distribution for the period ended 31 December 2020 of 4.5 cents per ordinary unit	-	2,869,595
Final distribution for the year ended 30 June 2021 of 2.25 cents per ordinary unit	1,995,280	-
Distributions for the period 1 July 2021 to 7 December 2021 of 3.89 cents per ordinary unit	3,740,810	-
Distribution declared for the period 8 December to 31 December 2021 of 0.68 cents per stapled security	1,002,989	-
	<u>6,739,079</u>	<u>2,869,595</u>

**Note 10. Fair value measurement**

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

The basis of the valuation of investment properties is fair value. The scheme documents of each trust require investment properties to be independently valued at least once every three years. In the intervening years, the property valuations may be revised according to the Responsible Entity's assessment of the property market.

Valuations of the Chadstone, Eastgardens, Lake Haven, Launceston, Launceston Bulky Goods, Maroochydore, Preston, Melton and Warragul properties were obtained on 30 September 2021 from an independent valuer, being a member of the Australian Property Institute and having adequate experience in the location and category of investment property being valued.

Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates, returns on investment and the uncertainty created by COVID-19. Any changes in estimates impacts the carrying value of investment property and the fair value adjustment recognised in profit or loss.

For details of the effect of the recurring remeasurements of investment properties on profit or loss or other comprehensive income for the period, and movement in carrying values for the reporting period, refer to note 6.

*Level 3 assets and liabilities*

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average) Dec 2021	Range (weighted average) Jun 2021
Investment property	(i) Capitalisation rate	4.13% to 6.25%	4.13% to 6.25%
	(ii) Discount rate	5.50% to 6.50%	5.50% to 6.50%
	(iii) Terminal yield	4.36% to 6.00%	4.36% to 6.00%
	(iv) Rental growth	1.84% to 2.76%	1.42% to 2.67%

**Note 10. Fair value measurement (continued)**

Changes to key inputs would result in changes to the fair value of investment properties. An increase in capitalisation rate and/or discount rate would result in lower fair value, while a decrease in capitalisation rate and/or discount rate will result in higher fair value (with all other factors held constant). The discount rates adopted at 31 December 2021 have broadly remained unchanged from 30 June 2021.

*Sensitivity to changes in capitalisation rate*

The sensitivity of property valuations (i.e. increase/(decrease) in fair value) to reasonably possible changes in capitalisation rates is as follows:

	31 Dec 2021	30 Jun 2021
	\$	\$
<b>Capitalisation rate movement - increase/(decrease)</b>		
minus 50 bps	40,669,000	34,634,000
minus 25 bps	19,212,000	16,372,000
plus 25 bps	(17,307,000)	(14,764,000)
plus 50 bps	(32,983,000)	(28,150,000)

**Note 11. Key management personnel disclosures**

*Compensation*

Remuneration of the directors of the Responsible Entity is paid by the Responsible Entity and its related parties. The directors are not provided with any remuneration by the schemes themselves. Directors are not entitled to any equity interests in the schemes, or any rights to, or options for, equity interests in the schemes as a result of the remuneration provided by the Responsible Entity.

The directors of the Responsible Entity do not consider that there is any direct correlation between the level of remuneration provided to the directors of the Responsible Entity and the fees paid by the schemes to the Responsible Entity in accordance with the Scheme Constitution and Product Disclosure Statement. The schemes have not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

**Note 12. Contingent liabilities**

NPR has contracted to purchase the Preston Bunnings building upon completion which is forecast for July 2022. Upon completion, the remaining payments due under the contract of \$70.27m plus stamp duty and other acquisition costs will be funded from available cash and the current debt facility within which provision has been made.

**Note 13. Related party transactions**

*Parent entity*

Newmark Hardware Trust is the parent entity.

*Responsible entity*

Newmark Property REIT is managed by Newmark REIT Management Limited ('NRML') as Responsible Entity. The Responsible Entity is entitled to charge a management fee equal to 0.60% per annum of Newmark Property REIT's Gross Asset Value (GAV) (before GST). However, the Responsible Entity has determined that it will not charge a management fee in respect of Newmark Property REIT for so long as the Investment Manager charges an investment management fee equal to 0.60% per annum of GAV (before GST) under the Investment Management Agreement in respect of Newmark Property REIT.

In addition, subject to the Corporations Act, the Responsible Entity is entitled to be paid and reimbursed for all administration costs, charges, expenses and outgoings incurred in the proper performance of its duties, as and when incurred.



**Note 13. Related party transactions (continued)**

*Newmark Group*

Newmark Property Group Pty Ltd ('Newmark Group') and its related entities (being entities associated with directors, shareholders or other related parties, including its controlled entities comprising Newmark REIT Management Limited ('the Responsible Entity'), Newmark Property Funds Management Pty Ltd ('investment manager'), Newmark Operations Pty Ltd and Newmark Asset Management Pty Ltd ('property manager')) own approximately 18.2% of the stapled securities of Newmark Property REIT.

*Investment Manager*

A member of the Newmark Group, Newmark Property Funds Management Pty Ltd, has been appointed to provide investment management services to Newmark Property REIT in accordance with the investment strategy of Newmark Property REIT, which includes, among other matters, providing strategic management, arranging debt and equity and managing the assets (excluding property management services) of Newmark Property REIT (Investment Management Services).

The Investment Manager will be entitled to the following fees:

- (investment management fee) 0.60% of GAV per annum (before GST) for the provision of investment management services which will be payable monthly by the Responsible Entity out of the assets of Newmark Property REIT.
- (acquisition fee) 1.00% of the purchase price (excluding acquisition costs) of any assets acquired by Newmark Property REIT (directly or indirectly) or any controlled sub-trust following completion of such acquisition.
- (finance facility fee) 0.20% of the amount of debt finance arranged by the Investment Manager for NHT, which will be payable upon entering into the relevant finance facility.

The Investment Manager is also entitled to such fees and reimbursements for reasonable expenses incurred as agreed in writing between the Investment Manager and the Responsible Entity relating to the provision of investment management services.

*Property Manager*

A member of the Newmark Group, Newmark Asset Management Pty Ltd, has been appointed by the Responsible Entity to act as the property manager of Newmark Property REIT under the Property Management Agreement. The Property Manager, with the prior written consent of the Responsible Entity, may sub-contract any or all of the Property Management Services, however in doing so, will retain all rights and liabilities in respect of those services under the Property Management Agreement. The Property Manager is responsible for matters including providing property management services, property accounting services, facilities management services, leasing and lease administration services, sales agency services and project management services to Newmark Property REIT (Property Management Services).

The Property Manager will be entitled to the following fees:

- (Property Management Fee): Up to 1.5% of annual gross income for the current portfolio, and up to 3% of annual gross income for any properties acquired after the date of the Property Management Agreement, or such lesser amount as agreed under the Property Management Agreement;
- (New Lease Fee): 15% of the gross rental income for the first year of the lease term where the tenant is a new tenant, or if the lease term is for a period of less than a year, then that lesser period;
- (Lease Renewal Fee): 7.5% of gross rental income for the first year of the lease term with an existing tenant (including renewals), or if the lease term is for a period of less than a year, then that lesser period;
- (Market Review Fee): At market rates determined as a percentage of the increase in gross rental income payable between the year before the rent review date and the year after;
- (Lease Administration Fees): By reference to market rates, subject to a market review on each anniversary of the commencement of the Property Management Agreement;
- (Project Management Fee): Up to 5% of the value of any works (as determined by a quantity surveyor) undertaken;
- (Development Services Fee): 4% of project costs; and
- (Sales Agent Fees): At market rates if the Property Manager acts as a sale agent in respect of a property.

*Subsidiaries*

Interests in subsidiaries are set out in note 15.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 11.

**Newmark Property REIT**  
**Notes to the financial statements**  
**31 December 2021**

**Note 13. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties during the current financial half-year and prior financial half-year:

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
Payment for services:		
Payment of management fee to Newmark REIT Management Ltd (31 Dec 2020: Newmark Capital Ltd) as Responsible Entity	1,164,058	667,199
The following payments were made to Newmark Property Funds Management Pty Ltd as Investment Manager (other related parties)		
- Investment management fee	150,968	-
- Acquisition fees	653,805	-
- Finance facility fee	338,933	224,000
- Reimbursed expenses	89,489	203,307
The following payments were made to Newmark Asset Management Pty Ltd as Property Manager (other related parties)		
- Property management fee	90,012	34,762
- New lease fees	15,346	46,784
- Lease administration fees	-	15,370

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Director security holdings*

The Stapled Securities held by Directors at the completion of the stapling of the group are as follows:

Director	Stapled securities held
Christopher Langford	48,729
Michael Doble	56,529
Andrew Erikson	50,000
Melinda Snowden	15,000
Mark Allan	27,360
	<hr/>
	<b>197,618</b>

*Terms and conditions*

All related party transactions were made on normal commercial terms and conditions and at market rates.

**Newmark Property REIT**  
**Notes to the financial statements**  
**31 December 2021**

**Note 14. Business combinations - stapling of Newmark Capital (Chadstone) Property Trust**

On 8 December 2021, the trust units of Newmark Hardware Trust ('NHT') were stapled to the trust units of Newmark Capital (Chadstone) Property Trust ('NCP') resulting in stapled securities being held by all investors.

NHT has been identified as the parent entity in relation to the stapling transaction in accordance with AASB 3 'Business Combinations'. The consolidated financial statements of Newmark Property REIT represent a continuation of the consolidated financial statements of NHT. The contributed equity and retained earnings of NCP are shown as non-controlling interests in these financial statements even though the equity holders of NCP (the acquiree) are also equity holders in NHT (the acquirer) by virtue of the stapling arrangement.

No consideration was transferred for the business combination, and hence there is no goodwill or bargain purchase gain recognised. Since the acquisition date, NCP generated a net loss of \$464,375.

At the date of stapling, the assets and liabilities of NCP were as follows:

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	299,585
Prepayments	154,796
Investment property	80,000,000
Trade payables and other payables	(804,469)
Bank loans	(41,358,709)
Distributions payable	(528,575)
	<hr/>
Fair value of net assets consolidated to statement of financial position at stapling date (8 December 2021)	<u>37,762,628</u>
Representing:	
Non-controlling interests recognised	
- Issued Capital	26,100,395
- Retained Earnings	11,662,233
	<hr/>
	<u>37,762,628</u>

**Note 15. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2021	30 Jun 2021
		%	%
Newmark Hardware Property Trust No. 2	Australia	100.00%	100.00%
Newmark Hardware Property Trust No. 3	Australia	100.00%	100.00%
Newmark Capital (Chadstone) Property Trust (stapled entity)	Australia	-	-

**Note 16. Events after the reporting period**

Subsequent to period end, the stapled group entered into interest rate caps with hedged debt as a percentage of drawn debt at 76.5%.

Apart from interest rate caps noted above, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

**Newmark Property REIT**  
**Notes to the financial statements**  
**31 December 2021**

**Note 17. Earnings per unit**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
Profit	4,349,384	9,341,382
Non-controlling interest	464,375	-
Profit attributable to the owners of Newmark Property REIT	<u>4,813,759</u>	<u>9,341,382</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of stapled securities (31 Dec 2020: ordinary units) used in calculating basic earnings per stapled unit (31 Dec 2020: per ordinary unit)	<u>106,155,475</u>	<u>63,103,483</u>
Weighted average number of ordinary units used in calculating diluted earnings per unit	<u>106,155,475</u>	<u>63,103,483</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	4.53	14.80
Diluted earnings per share	4.53	14.80

# **Newmark Capital (Chadstone) Property Trust**

**(ARSN 648 280 219)**

## **Interim Report - 31 December 2021**

**Newmark Capital (Chadstone) Property Trust**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2021**

	<b>Note</b>	<b>31 Dec 2021</b> <b>\$</b>	<b>31 Dec 2020</b> <b>\$</b>
<b>Revenue</b>	<b>4</b>	<b>3,004,975</b>	<b>2,810,971</b>
Net fair value remeasurement of investment properties		(1,038,444)	(35,357)
<b>Expenses</b>			
Custodian fees		(22,106)	-
Listing costs		(222,382)	-
Legal and professional fees		(44,778)	(13,742)
Management fees		(241,413)	(240,000)
Borrowing costs amortisation		(67,097)	(30,968)
Property expenses		(609,048)	(1,172,014)
Registry fees		(24,049)	(10,947)
Other expenses		(525,110)	(13,750)
Finance costs		(337,494)	(397,418)
<b>Profit/(loss) for the half-year attributable to the unitholders of Newmark Capital (Chadstone) Property Trust</b>		<b>(126,946)</b>	<b>896,775</b>
Other comprehensive income for the half-year		-	-
<b>Total comprehensive income for the half-year attributable to the unitholders of Newmark Capital (Chadstone) Property Trust</b>		<b>(126,946)</b>	<b>896,775</b>
		<b>Cents</b>	<b>Cents</b>
Basic (loss)/earnings per unit	13	(0.26)	3.11
Diluted (loss)/earnings per share	13	(0.26)	3.11

**Newmark Capital (Chadstone) Property Trust**  
**Statement of financial position**  
**As at 31 December 2021**

	<b>Note</b>	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		754,668	935,567
Trade and other receivables		-	77,397
Other assets		13,382	53,640
Total current assets		<u>768,050</u>	<u>1,066,604</u>
<b>Non-current assets</b>			
Investment properties	5	<u>80,000,000</u>	<u>80,000,000</u>
Total non-current assets		<u>80,000,000</u>	<u>80,000,000</u>
<b>Total assets</b>		<u>80,768,050</u>	<u>81,066,604</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		1,274,124	691,444
Borrowings	6	672,930	40,932,903
Distributions payable		232,219	767,147
Other liabilities		-	16,323
Total current liabilities		<u>2,179,273</u>	<u>42,407,817</u>
<b>Non-current liabilities</b>			
Borrowings	6	<u>18,118,771</u>	<u>-</u>
Total non-current liabilities		<u>18,118,771</u>	<u>-</u>
<b>Total liabilities</b>		<u>20,298,044</u>	<u>42,407,817</u>
<b>Net assets</b>		<u>60,470,006</u>	<u>38,658,787</u>
<b>Equity</b>			
Issued capital	7	49,518,398	26,100,395
Retained profits		<u>10,951,608</u>	<u>12,558,392</u>
<b>Total equity</b>		<u>60,470,006</u>	<u>38,658,787</u>

**Newmark Capital (Chadstone) Property Trust**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2021**

	<b>Issued capital \$</b>	<b>Retained profits \$</b>	<b>Total equity \$</b>
Balance at 1 July 2020	26,100,395	13,888,342	39,988,737
Profit for the half-year	-	896,775	896,775
Other comprehensive income for the half-year	-	-	-
Total comprehensive income for the half-year	-	896,775	896,775
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distributions paid (note 8)	-	(1,485,000)	(1,485,000)
Balance at 31 December 2020	<u>26,100,395</u>	<u>13,300,117</u>	<u>39,400,512</u>
	<b>Issued capital \$</b>	<b>Retained profits \$</b>	<b>Total equity \$</b>
Balance at 1 July 2021	26,100,395	12,558,392	38,658,787
Loss for the half-year	-	(126,946)	(126,946)
Other comprehensive income for the half-year	-	-	-
Total comprehensive income for the half-year	-	(126,946)	(126,946)
Issue of unit capital net of transaction costs (note 7)	23,418,003	-	23,418,003
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distributions paid (note 8)	-	(1,479,838)	(1,479,838)
Balance at 31 December 2021	<u>49,518,398</u>	<u>10,951,608</u>	<u>60,470,006</u>



**Newmark Capital (Chadstone) Property Trust**  
**Statement of cash flows**  
**For the half-year ended 31 December 2021**

	<b>Note</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Rental and outgoings received (inclusive of GST)		3,350,129	3,495,764
Payments to suppliers (inclusive of GST)		(1,920,640)	(1,542,208)
Interest received		-	3,213
Finance costs paid		(337,494)	(428,386)
Net cash from operating activities		<u>1,091,995</u>	<u>1,528,383</u>
<b>Cash flows from investing activities</b>			
Payments for capital improvements		(534,929)	(15,567)
Net cash used in investing activities		<u>(534,929)</u>	<u>(15,567)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		18,791,701	-
Repayment from borrowings		(40,932,903)	-
Proceeds from issue of units (net of transaction costs)		23,418,003	-
Distributions paid		(2,014,766)	(1,486,386)
Net cash used in financing activities		<u>(737,965)</u>	<u>(1,486,386)</u>
Net increase/(decrease) in cash and cash equivalents		(180,899)	26,430
Cash and cash equivalents at the beginning of the financial half-year		<u>935,567</u>	<u>1,365,016</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>754,668</u></u>	<u><u>1,391,446</u></u>

**Newmark Capital (Chadstone) Property Trust**  
**Notes to the financial statements**  
**31 December 2021**

**Note 1. General information**

The financial statements are those of Newmark Capital (Chadstone) Property Trust as an individual entity. The financial statements are presented in Australian dollars, which is Newmark Capital (Chadstone) Property Trust's functional and presentation currency.

Newmark Capital (Chadstone) Property Trust ('the Trust') is a managed investment scheme registered in Australia. The governing body and responsible entity of the Trust is Newmark REIT Management Limited ('the Responsible Entity'). Its registered office and principal place of business are:

Level 17, 644 Chapel Street  
South Yarra  
Victoria, 3141

A description of the nature of the Trust's operations and its principal activities are included in the Responsible Entity's report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of the Responsible Entity, on 21 February 2022.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report of the Trust for the year ended 30 June 2021.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The Trust has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Going concern**

The Trust incurred a loss for the period of \$126,946 (31 Dec 2020: profit of \$896,775) and had a net working capital deficiency (current assets less current liabilities) of \$1,411,223 as at 31 December 2021 (30 Jun 2021: net working capital deficiency \$41,341,213).

The Trust has related party borrowings from Newmark Hardware Trust (NHT), the entity to which the Trust is stapled. Newmark REIT Management Limited, the responsible entity for both NHT and the Trust, considers the cash flow requirements for the entire stapled group. The directors of the Responsible Entity have a reasonable expectation that the Trust will be able to pay its debts as and when they become due and payable. This view is formed after the directors have considered projected cashflow information for the twelve months from the date of the financial statements and the continued profitability of the Trust and stapled group. Accordingly, the financial statements have been prepared on a going concern basis.

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'), which is the Board of Directors of the Responsible Entity. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Note 2. Significant accounting policies (continued)**

**Issued capital**

Ordinary units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds. The units of the Trust are stapled to those of Newmark Hardware Trust and are listed on the Australian Securities Exchange as Newmark Property REIT stapled securities (ASX: NPR).

**Comparative information**

Where applicable, certain comparative figures are restated in order to comply with the current period's presentation of the financial statements.

The Trust became a registered managed investment scheme on 5 March 2021. This is the first interim financial report for the Trust being for the half-year ended 31 December 2021. No interim financial report was prepared for the half year ended 31 December 2020 and therefore no audit opinion or review report was issued for that period.

**Note 3. Operating segments**

*Identification of reportable operating segments*

The business of the Trust is the ownership and management of the single investment property constituting the Chadstone Homeplus Homemaker Centre in Chadstone, Victoria. This property represents a high-quality large format retail ('LFR') commercial property that is tenanted by various businesses including Bunnings.

The Trust represents a single operating segment based on the internal reports that are reviewed and used by the Board of the Responsible Entity (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The operating segment information is therefore the same information as disclosed in these financial statements and is therefore not duplicated as a separate segment note.

The CODM reviews Funds from Operations ('FFO') on a monthly basis, being cash flows generated by the operations of the stapled group. This is derived as Net Income with non-cash items and financing related cash flows added back. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

*Major customers*

During the half-year ended 31 December 2021, external rental income generated was derived from the following tenants: Bunnings 39% (31 Dec 2020: 44%); E&S Trading 12% (31 Dec 2020: 13%); The Good Guys 11% (31 Dec 2020: 12%).

**Note 4. Revenue**

	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
Rental income	2,732,119	2,440,422
Straight line rental adjustment	(14,485)	88,388
Recoverable outgoings	251,004	236,610
Interest income	59	3,213
Other property income	36,278	42,338
	<hr/>	<hr/>
Revenue	<u>3,004,975</u>	<u>2,810,971</u>

*Disaggregation of revenue*

The revenue from property rental and other property income is recognised on a straight-line basis over the lease term. Recoverable outgoings are recognised when the right to recover property charges arises. All revenue is generated within Australia.

**Newmark Capital (Chadstone) Property Trust**  
**Notes to the financial statements**  
**31 December 2021**

**Note 5. Investment properties**

	31 Dec 2021 \$	30 Jun 2021 \$
<i>Non-current assets</i>		
Investment properties - at independent valuation	<u>80,000,000</u>	<u>80,000,000</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:		
Opening fair value	80,000,000	80,000,000
Capital expenditure	1,052,929	420,395
Straight line rental adjustments	(14,485)	307,647
Revaluation decrements	<u>(1,038,444)</u>	<u>(728,042)</u>
Closing fair value	<u>80,000,000</u>	<u>80,000,000</u>

*Valuations of investment properties*

The basis of the valuation of investment properties is fair value. The scheme documents of each trust require investment properties to be independently valued at least once every three years. In the intervening years, the property valuations may be revised according to the Responsible Entity's assessment of the property market.

A valuation of the Chadstone Homeplus Homemaker Centre was obtained on 30 September 2021 from an independent valuer, being a member of the Australian Property Institute and having adequate experience in the location and category of investment property being valued.

Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates, returns on investment and the uncertainty created by COVID-19. Any changes in estimates impacts the carrying value of investment property and the fair value adjustment recognised in profit or loss.

*Investment properties pledged as security*

The investment property has been provided as security over the borrowings of Newmark Hardware Trust, the entity to which the Trust is stapled. In the prior period, investment properties were used as security for bank borrowings of the Trust. Refer to note 6.

Refer to note 9 for further information on fair value measurement.

**Note 6. Borrowings**

	31 Dec 2021 \$	30 Jun 2021 \$
<i>Current liabilities</i>		
Bank loans	-	40,932,903
Loan - Newmark Hardware Trust	<u>672,930</u>	<u>-</u>
	<u>672,930</u>	<u>40,932,903</u>
<i>Non-current liabilities</i>		
Loan - Newmark Hardware Trust	<u>18,118,771</u>	<u>-</u>
	<u>18,791,701</u>	<u>40,932,903</u>

Bank borrowings amounting to \$41,400,000 were fully discharged on 10 December 2021 utilising funds from a loan from Newmark Hardware Trust and capital raised from the IPO of Newmark Property REIT during the period.

**Newmark Capital (Chadstone) Property Trust**  
**Notes to the financial statements**  
**31 December 2021**

**Note 6. Borrowings (continued)**

*Total secured liabilities*

The total secured liabilities are as follows:

	31 Dec 2021 \$	30 Jun 2021 \$
Bank loans	-	40,932,903

Borrowings from Newmark Hardware Trust at reporting date are unsecured.

*Assets pledged as security*

Bank Loans' were secured by first mortgage over the Trust's investment property.

Upon stapling and IPO, the assets of the Trust have been provided as security for borrowings drawn by Newmark Hardware Trust.

The carrying amounts of assets pledged as security for borrowings are:

	31 Dec 2021 \$	30 Jun 2021 \$
Investment properties	80,000,000	80,000,000

Investment properties have been provided as security for the bank borrowings of the Newmark Hardware Trust as at reporting date. In the prior period, investment properties were used as security for bank borrowings of the Trust.

*Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

	31 Dec 2021 \$	30 Jun 2021 \$
Total facilities		
Bank loans	-	44,000,000
Newmark Hardware Trust	18,791,701	-
	18,791,701	44,000,000
Used at the reporting date		
Bank loans	-	40,932,903
Newmark Hardware Trust	18,791,701	-
	18,791,701	40,932,903
Unused at the reporting date		
Bank loans	-	3,067,097
Newmark Hardware Trust	-	-
	-	3,067,097

**Note 7. Issued capital**

	31 Dec 2021 Units	30 Jun 2021 Units	31 Dec 2021 \$	30 Jun 2021 \$
Issued capital - fully paid	181,648,296	29,700,100	49,518,398	26,100,395

**Newmark Capital (Chadstone) Property Trust**  
**Notes to the financial statements**  
**31 December 2021**

**Note 7. Issued capital (continued)**

*Movements in ordinary unit capital*

Details	Date	Units	Issue price	\$
Balance	1 July 2021	29,700,100		26,100,395
Issue of units to NHT to facilitate stapling	8 December 2021	128,311,140		-
Consolidation of units to facilitate stapling	8 December 2021	(44,076,993)		-
Capital raise via IPO	8 December 2021	67,714,049	\$0.36	24,124,155
Capital raising costs	8 December 2021	-		(706,152)
Balance	31 December 2021	<u>181,648,296</u>		<u>49,518,398</u>

During the period, Newmark Property REIT raised capital via IPO for newly issued stapled securities of 67,714,049 at \$1.895 per security. Newmark Capital (Chadstone) Property Trust's net allocation from the IPO is \$23,418,003.

*Ordinary units*

Ordinary units entitle the holder to participate in distributions and the proceeds on the winding up of the Trust in proportion to the number of and amounts paid on the units held. The fully paid ordinary units have no par value and the Trust does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each unit shall have one vote.

The units of the Trust are stapled to those of Newmark Hardware Trust and are listed on the Australian Securities Exchange as Newmark Property REIT stapled securities (ASX: NPR).

*Unit buy-back*

There is no current on-market unit buy-back.

**Note 8. Distributions**

Distributions for the financial half-year were as follows:

	31 Dec 2021 \$	31 Dec 2020 \$
Interim distribution for the year ended 30 June 2021 of 5 cents per ordinary unit	-	1,485,000
Distribution for the period 1 April 2021 to 30 June 2021 of 1.8 cents per ordinary unit	534,928	-
Distribution for the period 1 July 2021 to 7 December 2021 of 5 cents per ordinary unit	1,479,838	-
Distribution declared for the period 8 December 2021 to 31 December 2021 of 0.8 cents per stapled unit	232,219	-
	<u>2,246,985</u>	<u>1,485,000</u>

**Newmark Capital (Chadstone) Property Trust**  
**Notes to the financial statements**  
**31 December 2021**

**Note 9. Fair value measurement**

*Fair value hierarchy*

The following tables detail the Trust's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>31 Dec 2021</b>				
<i>Assets</i>				
Investment properties at fair value	-	-	80,000,000	80,000,000
Total assets	-	-	80,000,000	80,000,000
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>30 Jun 2021</b>				
<i>Assets</i>				
Investment properties at fair value	-	-	80,000,000	80,000,000
Total assets	-	-	80,000,000	80,000,000

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

A valuation of the Chadstone Homeplus Homemaker Centre was obtained on 30 September 2021 from an independent valuer, being a member of the Australian Property Institute and having adequate experience in the location and category of investment property being valued.

The basis of the valuation of investment properties is fair value. The scheme documents of each trust require investment properties to be independently valued at least once every three years. In the intervening years, the property valuations may be revised according to the Responsible Entity's assessment of the property market.

Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates, returns on investment and the uncertainty created by COVID-19. Any changes in estimates impacts the carrying value of investment property and the fair value adjustment recognised in profit or loss.

For details of the effect of the recurring remeasurements of investment properties on profit or loss or other comprehensive income for the period, and movement in carrying values for the reporting period, refer to note 5.

*Level 3 assets and liabilities*

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Dec 2021	Jun 2021
Investment property	(i) Capitalisation rate	6.25%	6.50%
	(ii) Discount rate	7.25%	7.50%
	(iii) Terminal yield	6.50%	6.75%
	(iv) Rental growth	2.66%	2.85%

**Note 9. Fair value measurement (continued)**

Changes to key inputs would result in changes to the fair value of investment properties. An increase in capitalisation rate and/or discount rate would result in lower fair value, while a decrease in capitalisation rate and/or discount rate will result in higher fair value (with all other factors held constant).

*Sensitivity to changes in capitalisation rate*

The sensitivity of property valuations (i.e. increase/(decrease) in fair value) to reasonably possible changes in capitalisation rates is as follows:

	31 Dec 2021 \$	30 Jun 2021 \$
<b>Capitalisation rate movement - increase/(decrease)</b>		
minus 50 bps	6,957,000	6,667,000
minus 25 bps	3,333,000	3,200,000
plus 25 bps	(3,077,000)	(2,963,000)
plus 50 bps	(5,926,000)	(5,714,000)

**Note 10. Key management personnel disclosures**

*Compensation*

Remuneration of the directors of the Responsible Entity is paid by the Responsible Entity and its related parties. The directors are not provided with any remuneration by the Trust itself. Directors are not entitled to any equity interests in the Trust, or any rights to or options for equity interest in the Trust, as a result of the remuneration provided by the Responsible Entity.

The directors of the Responsible Entity do not consider that there is any direct correlation between the level of remuneration provided to the directors of the Responsible Entity and the fees paid by the Trust to the Responsible Entity in accordance with the Scheme Constitution and Product Disclosure Statement. The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

**Note 11. Related party transactions**

*Parent entity*

Newmark Hardware Trust is the parent entity. The units of the Newmark Capital (Chadstone) Property Trust are stapled to the units of the parent. The resultant stapled securities are listed on the Australian Securities Exchange (ASX: NPR).

*Responsible entity*

Newmark Capital (Chadstone) Property Trust is managed by Newmark REIT Management Limited ('NRML') as Responsible Entity. The Responsible Entity is entitled to charge a management fee equal to 0.60% per annum of Newmark Property REIT's Gross Asset Value (GAV) (before GST). However, the Responsible Entity has determined that it will not charge a management fee in respect of Newmark Property REIT for so long as the Investment Manager charges an investment management fee equal to 0.60% per annum of GAV (before GST) under the Investment Management Agreement in respect of Newmark Property REIT.

In addition, subject to the Corporations Act, the Responsible Entity is entitled to be paid and reimbursed for all administration costs, charges, expenses and outgoings incurred in the proper performance of its duties, as and when incurred.

*Newmark Property Group*

Newmark Property Group Pty Ltd ('Newmark Group') and its related entities (being entities associated with directors, shareholders or other related parties, including its controlled entities in Newmark REIT Management Limited ('the Responsible Entity'), Newmark Property Funds Management Pty Ltd ('investment manager'), Newmark Operations Pty Ltd and Newmark Asset Management Pty Ltd ('property manager'), owns approximately 18.2% of the capital of Newmark Property REIT.



**Note 11. Related party transactions (continued)**

*Investment Manager*

A member of the Newmark Group, Newmark Property Funds Management Pty Ltd, has been appointed to provide investment management services to Newmark Property REIT in accordance with the investment strategy of Newmark Property REIT, which includes, among other matters, providing strategic management, arranging debt and equity and managing the assets (excluding property management services) of Newmark Property REIT (Investment Management Services).

The Investment Manager will be entitled to the following fees:

- (investment management fee) 0.60% of GAV per annum (before GST) for the provision of investment management services which will be payable monthly by the Responsible Entity out of the assets of Newmark Property REIT.
- (acquisition fee) 1.00% of the purchase price (excluding acquisition costs) of any assets acquired by Newmark Property REIT (directly or indirectly) or any controlled sub-trust following completion of such acquisition.
- (finance facility fee) 0.20% of the amount of debt finance arranged by the Investment Manager for NHT, which will be payable upon entering into the relevant finance facility.

The Investment Manager is also entitled to such fees and reimbursements for reasonable expenses incurred as agreed in writing between the Investment Manager and the Responsible Entity relating to the provision of investment management services.

*Property Manager*

A member of the Newmark Group, Newmark Asset Management Pty Ltd, has been appointed by the Responsible Entity to act as the property manager of Newmark Property REIT under the Property Management Agreement. The Property Manager is responsible for matters including providing property management services, property accounting services, facilities management services, leasing and lease administration services, sales agency services and project management services to Newmark Property REIT (Property Management Services).

The Property Manager will be entitled to the following fees:

- (Property Management Fee): Up to 1.5% of annual gross income for the current portfolio, and up to 3% of annual gross income for any properties acquired after the date of the Property Management Agreement, or such lesser amount as agreed under the Property Management Agreement;
- (New Lease Fee): 15% of the gross rental income for the first year of the lease term where the tenant is a new tenant, or if the lease term is for a period of less than a year, then that lesser period;
- (Lease Renewal Fee): 7.5% of gross rental income for the first year of the lease term with an existing tenant (including renewals), or if the lease term is for a period of less than a year, then that lesser period;
- (Market Review Fee): At market rates determined as a percentage of the increase in gross rental income payable between the year before the rent review date and the year after;
- (Lease Administration Fees): By reference to market rates, subject to a market review on each anniversary of the commencement of the Property Management Agreement;
- (Project Management Fee): Up to 5% of the value of any works (as determined by a quantity surveyor) undertaken;
- (Development Services Fee): 4% of project costs; and
- (Sales Agent Fees): At market rates if the Property Manager acts as a sale agent in respect of a property.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 10.

**Newmark Capital (Chadstone) Property Trust**  
**Notes to the financial statements**  
**31 December 2021**

**Note 11. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	31 Dec 2021 \$	31 Dec 2020 \$
Payment for services:		
Payment of management fee to Newmark REIT Management Ltd as Responsible Entity	207,864	-
Payment of management fee to Newmark Capital Ltd as Responsible Entity <sup>1</sup>	-	240,000
	-	-
The following payments were made to Newmark Property Funds Management Pty Ltd as Investment Manager (other related parties)		
- Investment management fee	33,548	-
The following payments were made to Newmark Asset Management Pty Ltd as Property Manager (other related parties)		
- Property management fee	23,868	-
- New lease fees	-	75,671
The following payments were made to Newmark Operations Pty Ltd as Property Manager (other related parties)		
- Property management fee	-	23,175

<sup>1</sup> The Responsible Entity of the scheme changed from Newmark Capital Ltd to Newmark REIT Management Ltd on 4 March 2021.

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	31 Dec 2021 \$	30 Jun 2021 \$
Current receivables:		
Loan to controlling entity (Newmark Hardware Trust) - current liabilities (note 6)	672,930	-
Loan to controlling entity (Newmark Hardware Trust) - non-current liabilities (note 6)	18,118,771	-

*Stapled security holdings by directors*

Director	Stapled securities held
Christopher Langford	48,729
Michael Doble	56,529
Andrew Erikson	50,000
Melinda Snowden	15,000
Mark Allan	27,360
	<hr/>
	197,618

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Newmark Capital (Chadstone) Property Trust**  
**Notes to the financial statements**  
**31 December 2021**

**Note 12. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Trust's operations, the results of those operations, or the Trust's state of affairs in future financial years.

**Note 13. Earnings per unit**

	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) attributable to the unitholders of Newmark Capital (Chadstone) Property Trust	<u>(126,946)</u>	<u>896,775</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary units used in calculating basic earnings per unit	<u>49,519,430</u>	<u>28,831,683</u>
Weighted average number of ordinary units used in calculating diluted earnings per unit	<u>49,519,430</u>	<u>28,831,683</u>
	<b>Cents</b>	<b>Cents</b>
Basic (loss)/earnings per unit	(0.26)	3.11
Diluted (loss)/earnings per share	(0.26)	3.11

The weighted average number of ordinary units for the half year ended 31 December 2020 has been restated for the effect of the unit consolidation which occurred on 8 December 2021 to facilitate the stapling with Newmark Hardware Trust.

	<b>Number</b>
Weighted average number of ordinary units used in calculating basic earnings per unit (before restatement)	29,700,100
Adjustment required by AASB 133 'Earnings per unit'	<u>(868,417)</u>
Weighted average number of ordinary units used in calculating basic earnings per unit (after restatement)	<u>28,831,683</u>

**Newmark Property REIT  
Responsible Entity's declaration  
31 December 2021**

In the Responsible Entity's opinion:

- the attached financial statements and notes of Newmark Property REIT (representing the registered managed investment schemes of Newmark Hardware Trust (ARSN 161 274 111) and Newmark Capital (Chadstone) Property Trust (ARSN 648 280 219)) comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes of Newmark Property REIT give a true and fair view of the stapled group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date;
- the attached financial statements and notes of Newmark Capital (Chadstone) Property Trust give a true and fair view of the schemes' financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date;
- there are reasonable grounds to believe that both Newmark Property REIT and Newmark Capital (Chadstone) Property Trust will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Responsible Entity made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Responsible Entity



Michael Doble  
Chairperson

22 February 2022  
Melbourne

## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE STAPLED SECURITY HOLDERS OF NEWMARK HARDWARE TRUST AND NEWMARK CAPITAL (CHADSTONE) PROPERTY TRUST

#### Report on the Half-Year Financial Report

##### Conclusion

We have reviewed the half-year financial report of Newmark Property REIT, consisting of Newmark Hardware Trust and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

We have also reviewed the half-year financial report of Newmark Capital (Chadstone) Property Trust (NCP) which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. giving a true and fair view of the financial positions of the Group and NCP as at 31 December 2021 and of their performance for the half-year ended on that date, and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

##### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group and NCP in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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## Other matter

NCP became a registered managed investment scheme on 5 March 2021 therefore no audit opinion or review report has been issued on the financial statements of Newmark Capital (Chadstone) Property Trust for the half-year ended 31 December 2020. Our opinion is not modified in respect of this matter.

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

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

## Auditor's Responsibilities for the Review of the Financial Report

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

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



### ShineWing Australia

Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 22 February 2022