

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 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

This Appendix 4D should be read in conjunction with the attached Directors' report which includes details of the results for the period.

Revenues from ordinary activities	up	34.85%	to	\$ 14,116,233
Profit from ordinary activities attributable to stapled security holders	down	21.07%	to	3,432,769
Profit for the half-year attributable to stapled security holders	down	21.07%	to	3,432,769
Funds from Operations (FFO)	up	22.77%	to	6,973,269

	31 Dec 2022 Cents	31 Dec 2021 Cents
Basic earnings per stapled security	0.96	4.53
Diluted earnings per stapled security	0.96	4.53

Distributions

Current period

Details of distributions declared and/or paid during the current financial period are as follows:

	Distribution \$
Distribution paid on 11 November 2022 to security holders of Newmark Property REIT for the period 1 July 2022 to 30 September 2022 of 2.50 cents per stapled security	4,702,176
Distribution declared and to be paid on 10 February 2023 to security holders of Newmark Property REIT for the period 1 October 2022 to 31 December 2022 of 2.50 cents per stapled security	4,507,617
	<u>9,209,793</u>

The total distributions paid during the half year (ended 31 December 2022) were \$8,934,582. (Total distributions paid include a distribution paid on 11 August 2022 for the period 1 April 2022 to 30 June 2022 of \$4,232,406 and a distribution paid on 11 November 2022 for the period 1 July 2022 to 30 September 2022 of \$4,702,176).

Newmark Property REIT
Appendix 4D
Half-year report

Prior period

Details of distributions declared and/or paid during the prior financial period (ended 31 December 2021) are as follows:

	Distribution \$
Distribution paid on 17 December 2021 to unitholders of Newmark Hardware Trust for the period 1 July 2021 to 7 December 2021 of 3.890 cents per ordinary unit	3,715,450
Distribution paid on 11 February 2022 to security holders of Newmark Property REIT for the period 8 December 2021 to 31 December 2021 of 0.680 cents per stapled security	1,265,371
	<u>4,980,821</u>

Comments

The profit for the stapled group after providing for non-controlling interest amounted to \$3,432,769 (31 December 2021: \$4,349,384).

The profit of Newmark Capital (Chadstone) Property Trust also attributable to stapled security holders for the period ended 31 December 2022 amounted to \$1,686,798 (31 December 2021: loss \$464,375).

For commentary in relation to the operations of the stapled group for the year ended 31 December 2022, refer to the 'Review of Operations' in the attached Directors' report accompanying the financial statements.

3. Net Tangible Assets

	Reporting period Cents	Previous period Cents
Net tangible assets per stapled security	<u>195.59</u>	<u>177.02</u>
	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Net tangible assets have been calculated using the following inputs:		
Net assets/(liabilities)	<u>352,661,940</u>	<u>332,551,273</u>
	No. of units	No. of units
Stapled securities on issue	<u>180,304,662</u>	<u>181,648,296</u>

4. Control gained over entities

In current period, there was no control gained over entities.

5. Distribution reinvestment plans

The Distribution Reinvestment Plan will not operate in respect of the December 2022 quarter distribution.

6. Audit qualification or review

The financial statements were subject to a review by the auditors and an unmodified opinion has been issued. The unmodified review report is attached as part of the Interim Half Year Report.

7. Attachments

The Interim Report of Newmark Property REIT for the half-year ended 31 December 2022 is attached.

8. Signed



Signed

Michael Doble, Chair

Date: 21 February 2023



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 – Half Year ended 31 December 2022

**Newmark Property REIT
Corporate directory
31 December 2022**

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 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>SW Audit 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>https://www.newmarkcapital.com.au/listed-funds/</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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**Newmark Property REIT
Directors' report
31 December 2022**

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' or 'NPR') consisting of NHT (and the entities it controlled at the end of, or during, the half-year ended 31 December 2022); 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 profit or loss and other comprehensive income

- For half-year ended 31 December 2022 - financial results of NHT for 6 months to 31 December 2022 consolidated with the financial results of NCP for 6 months to 31 December 2022
- For period ended 31 December 2021 - financial results of NHT for 6 months to 31 December 2021 consolidated with the financial results of NCP for period 8 December 2021 to 31 December 2021

As NCP was consolidated for less than one month during the period ended 31 December 2021, and the IPO occurred in the comparative period for the stapled group, there are several significant differences between the statements of profit or loss and other comprehensive income for each period.

Statement of financial position

- As at 31 December 2022 - Consolidated financial position of NHT and NCP
- As at 30 June 2022 - Consolidated financial position of NHT and NCP

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 - Managing Director
Mark Allan - Non-Executive Director

**Newmark Property REIT
Directors' report
31 December 2022**

Distributions

Distributions declared and/or paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Distribution paid on 17 December 2021 to unitholders of Newmark Hardware Trust for the period 1 July 2021 to 7 December 2021 of 3.890 cents per ordinary unit		3,715,450
Distribution paid on 11 February 2022 to security holders of Newmark Property REIT for the period 8 December 2021 to 31 December 2021 of 0.68 cents per stapled security		1,265,371
Distribution paid on 11 November 2022 to security holders of Newmark Property REIT for the period 1 July 2022 to 30 September 2022 of 2.50 cents per stapled security	4,702,176	
Distribution declared and to be paid on 10 February 2023 to security holders of Newmark Property REIT for the period 1 October 2022 to 31 December 2022 of 2.50 cents per stapled security	4,507,617	
	<u>9,209,793</u>	<u>4,980,821</u>

Total distributions paid during the half year (ended 31 December 2022) were \$8,934,582. (Total distributions paid include a distribution paid on 11 August 2022 for the period 1 April 2022 to 30 June 2022 of \$4,232,406 and a distribution paid on 11 November 2022 for the period 1 July 2022 to 30 September 2022 of \$4,702,176).

Principal activities

Both of the Trusts in the stapled group are registered managed investment schemes domiciled in Australia. During the period ended 31 December 2022, the principal continuing activity of the stapled group was the investment in premium commercial real estate properties that comprise high quality large format retail ('LFR') sites in metropolitan, urban centre and key regional locations along the eastern seaboard of Australia. NPR's tenancy profile is underpinned by quality tenants such as Bunnings, Kmart, Officeworks (Wesfarmers), JB Hi-Fi, e&s and Petstock.

Review of operations and financial performance

Newmark Property REIT's financial performance for the half year period ended 31 December 2022 was influenced by the continued execution of NPR's objective to provide stapled security holders with exposure to a high-quality real estate portfolio targeting consistent and growing distributions.

On 6 June 2022, NPR announced an on-market buyback programme for up to 5,449,448 of its stapled securities to occur between 21 June 2022 and 20 June 2023. The buyback commenced on 16 August 2022 following release of NPR's FY22 financial results. As at 31 December 2022, NPR had acquired 1,343,634 stapled securities for a total consideration of \$1,961,035.

On 5 July 2022, NPR made a partial advance payment of \$15.0 million relating to the acquisition of the Preston property.

On 8 July 2022, NPR announced the conditional acquisition of the Underwood property, a high-quality LFR property in metropolitan Brisbane, Queensland for \$57.0 million. On 23 August 2022 a fire occurred at the property causing material damage to one of the property's buildings (Building 4). On 19 December 2022, NPR announced that it had agreed with the vendor (Clarence Property) to vary the terms of the original contract, including a reduction in the purchase price to \$56.0 million. Additionally, settlement of the property was revised with NPR making a partial payment of \$46.0 million on 21 December 2022, which was funded via NPR's debt facility, with the property's title to be transferred at settlement. The remaining \$10.0 million is due and payable upon certain milestones being reached, including reinstatement of Building 4, commencement of trading by affected tenants and rectification of defects.

**Newmark Property REIT
Directors' Report
31 December 2022**

A summary of the financial performance of the stapled group for the half year period ended 31 December 2022 is set out below.

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Total revenue	14,116,233	10,468,459
Net profit after tax	3,432,769	4,349,384
Funds from operations ('FFO')	6,973,269	5,679,940
	Cents	Cents
FFO per weighted average number of stapled securities during the period	3.85	5.35

Net profit for the period of \$3.43 million represented a decrease of \$0.92 million compared to the previous corresponding period ('PCP') and was mainly attributable to:

- reflecting NCP having been stapled to NHT for the full 6 months in the period to 31 December 2022 compared to 1 month in the PCP and the acquisition of the Underwood property on 21 December 2022 which resulted in:
 - a \$3.65 million increase in revenue and other income
 - a \$0.74 million increase in property expenses;
 - a \$0.24 million increase in responsible entity costs;
- a \$4.20 million increase in fair value loss on investment properties which included stamp duty paid on the acquisition of the Underwood property and other transaction costs;
- a \$0.15 million increase in fair value gain on interest rate cap hedge instruments;
- a net \$1.18 million increase in finance costs as a result of an increase in interest rates on NPR's debt facilities (\$1.28 million), and a reduction in amortisation costs;
- a \$0.26 million increase in other fund expenses; and;
- a \$1.90 million decrease in acquisition, transaction, and legal settlement costs.

Funds from Operations and adjusted funds from operations

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Net profit for the period	3,432,769	4,349,384
Straight line rental adjustments	(64,892)	(224,525)
Borrowing costs amortisation	333,883	430,651
Transaction costs	121,819	2,023,171
Net changes in fair value through profit and loss (note 6)	3,149,690	(898,741)
Funds from Operations	6,973,269	5,679,940
Less: Maintenance capital expenditure	(133,300)	(131,800)
Less: Leasing capital expenditure	-	(255,000)
Adjusted FFO ('AFFO')	6,839,969	5,293,140

**Newmark Property REIT
Directors' Report
31 December 2022**

Funds from Operations and adjusted funds from operations (continued)

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Assets		
Investment property	558,663,420	487,382,474
Total assets	570,612,430	498,074,535
Net tangible assets	352,661,940	360,399,998
	No.	No.
Number of stapled securities on issue	180,304,662	181,648,296
Net tangible assets per stapled security	\$1.96	\$1.98

Capital management

	Consolidated
	31 Dec 2022
	\$
Drawn debt	199,730,332
Debt facility limit	275,000,000
Cash and undrawn debt	81,560,128
Gearing ratio (interest bearing liabilities less cash divided by total tangible assets less cash)	34.2%
Hedged debt (borrowings hedged as a percentage of drawn debt)	50.1%

On 20 December 2022, as part of the Underwood property acquisition, Newmark Property REIT increased its senior secured debt facility limit from \$215 million to \$275.0 million. As part of the amendment to the debt facility, the Interest Cover Ratio ('ICR') covenant requirement was reduced from 2.5x to 2.0x. The Loan to Value Ratio ('LVR') covenant remained unchanged at 55.0%.

Investment properties

The investment property portfolio at 31 December 2022 consisted of 9 freehold assets, valued at \$558.7 million, compared to \$487.4 million at 30 June 2022. The increase in value was driven by acquisitions of the Underwood property (\$56.0 million) and a second advance payment on the Preston property (\$15.0 million).

Treasury

On 20 December 2022, as part of the Underwood property acquisition, stapled group increased its senior secured syndicated debt facility limit from \$215.0 million to \$275.0 million. As part of the amendment to the debt facility, the Interest Cover Ratio ('ICR') covenant requirement was reduced from 2.5x to 2.0x. The Loan to Value Ratio ('LVR') covenant remained unchanged at 55.0%. The facility's maturity date of December 2024 remained unchanged.

As at 31 December 2022 the stapled group had \$199.7 million of drawn debt and a gearing ratio of 34.2%.

Newmark Property REIT has interest rate caps with hedged debt as a percentage of drawn debt at 50.1% as at 31 December 2022.

**Newmark Property REIT
Directors' report
31 December 2022**

Matters subsequent to the end of the financial half-year

From 1 January 2023 to 27 January 2023, Newmark Property REIT continued its on-market share buyback program and bought back 152,093 stapled securities for a total consideration of \$222,472.

Subsequent to period end, the stapled group entered into a 2-year interest rate swap with a notional value of \$75.0 million with a commencement date of 3 July 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the stapled group's operations, the results of those operations, or the stapled group's state of affairs in future financial years.

Related party confirmation

The directors confirm that since listing, the Company, as Responsible Entity, 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 Directors' 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
Chair

21 February 2023
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 2022 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.

SW

SW Audit (formerly ShineWing Australia)
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 21 February 2023

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Newmark Property REIT
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Revenue and other income	5	14,116,233	10,468,459
Net fair value remeasurement of investment properties	6	(3,297,382)	898,741
Remeasurement to fair value of derivatives		147,692	-
Expenses			
Borrowing costs amortisation		(333,883)	(430,651)
Custodian fees		(61,657)	(33,642)
Finance costs		(3,133,233)	(1,855,166)
Legal and professional fees		(273,710)	(197,833)
Transaction costs		(121,819)	(2,023,171)
Management fees		(1,405,800)	(1,164,058)
Other expenses		(359,445)	(181,209)
Property expenses		(1,822,949)	(1,084,345)
Registry fees		(21,278)	(47,741)
Profit for the half-year		3,432,769	4,349,384
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		3,432,769	4,349,384
Profit for the half-year is attributable to:			
Owners of Newmark Hardware Trust		1,745,971	4,813,759
Non-controlling interest		1,686,798	(464,375)
		3,432,769	4,349,384
Total comprehensive income for the half-year is attributable to:			
Owners of Newmark Hardware Trust		1,745,971	4,813,759
Non-controlling interest		1,686,798	(464,375)
		3,432,769	4,349,384
		Cents	Cents
Basic earnings per share	17	0.96	4.53
Diluted earnings per share	17	0.96	4.53

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 2022

		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		6,290,460	5,275,909
Trade and other receivables		1,769,164	616,068
Other assets		861,600	1,919,990
Total current assets		<u>8,921,224</u>	<u>7,811,967</u>
Non-current assets			
Derivative financial assets		3,027,786	2,880,094
Investment properties	6	<u>558,663,420</u>	<u>487,382,474</u>
Total non-current assets		<u>561,691,206</u>	<u>490,262,568</u>
Total assets		<u>570,612,430</u>	<u>498,074,535</u>
Liabilities			
Current liabilities			
Trade and other payables		2,571,088	1,833,580
Deferred consideration	8	10,000,000	-
Distributions payable		4,507,617	4,232,407
Revenue received in advance		<u>2,023,252</u>	<u>1,829,011</u>
Total current liabilities		<u>19,101,957</u>	<u>7,894,998</u>
Non-current liabilities			
Borrowings	7	<u>198,848,533</u>	<u>129,779,539</u>
Total non-current liabilities		<u>198,848,533</u>	<u>129,779,539</u>
Total liabilities		<u>217,950,490</u>	<u>137,674,537</u>
Net assets		<u>352,661,940</u>	<u>360,399,998</u>
Equity			
<i>Attributable to parent unitholder interests</i>			
Issued capital	9	222,497,093	224,119,254
Retained earnings		<u>68,157,090</u>	<u>74,002,263</u>
Parent entity interest - owners of Newmark Hardware Trust		290,654,183	298,121,517
<i>Attributable to non-controlling interests</i>			
Issued capital		49,179,524	49,518,398
Retained earnings		<u>12,828,233</u>	<u>12,760,083</u>
Non-controlling interests - owners of Newmark Capital (Chadstone) Property Trust		62,007,757	62,278,481
		<u>352,661,940</u>	<u>360,399,998</u>

The financial position of the current period and comparative period is that of the stapled group and therefore incorporates the financial position of Newmark Capital (Chadstone) Property Trust.

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

Newmark Property REIT
Statement of changes in equity
For the half-year ended 31 December 2022

	Issued capital	Retained earnings	Non- controlling interest	Total equity
Consolidated	\$	\$	\$	\$
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 9)	28,235,437	-	-	28,235,437
Unit redemptions prior to stapling (note 9)	(22,258,363)	-	-	(22,258,363)
Units issued on completion of stapling arrangement (note 9)	101,097,304	-	-	101,097,304
Initial recognition of unitholder capital in Newmark Capital (Chadstone) Property Trust	-	-	61,180,630	61,180,630
Distributions declared (note 10)	-	(4,734,574)	(246,247)	(4,980,821)
Balance at 31 December 2021	224,119,254	36,962,011	60,470,008	321,551,273
Consolidated	\$	\$	\$	\$
Balance at 1 July 2022	224,119,254	74,002,263	62,278,482	360,399,999
Profit for the half-year	-	1,745,971	1,686,798	3,432,769
Other comprehensive income for the half-year	-	-	-	-
Total comprehensive income for the half-year	-	1,745,971	1,686,798	3,432,769
<i>Transactions with owners in their capacity as owners:</i>				
Share buybacks (note 9)	(1,622,161)	-	(338,874)	(1,961,035)
Distributions declared (note 10)	-	(7,591,144)	(1,618,649)	(9,209,793)
Balance at 31 December 2022	222,497,093	68,157,090	62,007,757	352,661,940

The current half year's statement of changes in equity reflects the equity of the stapled group for the interim period ended 31 December 2022. The comparative half year's statement of changes in equity incorporated the stapling of units of Newmark Hardware Trust and Newmark Capital (Chadstone) Property Trust on 8 December 2021 and therefore reflected the equity of the stapled group for the 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 2022

	Consolidated	
Note	31 Dec 2022	31 Dec 2021
	\$	\$
Cash flows from operating activities		
Rental and outgoings received (inclusive of GST)	14,960,685	11,176,037
Payments to suppliers (inclusive of GST)	(4,138,961)	(5,820,323)
Interest and other finance costs paid	(3,133,233)	(1,855,166)
	<u>7,688,491</u>	<u>3,500,548</u>
Cash flows from investing activities		
Payments for investment property	(64,513,434)	(46,963,734)
Net cash acquired on stapling of NCP	-	299,585
	<u>(64,513,434)</u>	<u>(46,664,149)</u>
Cash flows from financing activities		
Proceeds from borrowings	69,000,000	-
Repayment of borrowings	-	(75,729,669)
Borrowing costs paid	(264,889)	-
Issue of unit capital	-	152,750,545
Redemptions of units paid	-	(22,258,164)
Share buybacks	(1,961,035)	-
Distributions paid	(8,934,582)	(6,271,018)
	<u>57,839,494</u>	<u>48,491,694</u>
Net cash from financing activities		
	<u>57,839,494</u>	<u>48,491,694</u>
Net increase in cash and cash equivalents	1,014,551	5,328,093
Cash and cash equivalents at the beginning of the financial half-year	5,275,909	754,046
	<u>6,290,460</u>	<u>6,082,139</u>
Cash and cash equivalents at the end of the financial half-year		

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

Newmark Property REIT
Notes to the financial statements
31 December 2022

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 ended 31 December 2022 and Newmark Capital (Chadstone) Property Trust ('NCP') (collectively referred to as 'Newmark Property REIT', 'group' or 'stapled group'). The financial statements are presented in Australian dollars, which is Newmark Property REIT's functional and presentation currency. The prior comparative period was the half year ended 31 December 2021.

The trusts comprising the Newmark Property REIT stapled group are 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 21 February 2023.

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 NHT are stapled to the trust units of NCP resulting in stapled securities being held by all investors. The units of both trusts are therefore 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 was 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 2022 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 2022 and any public announcements made by any of Newmark Property REIT, NHT or NCP during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Note 3. Significant accounting policies (continued)

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.

Going concern

The stapled group had a net working capital deficiency (current assets less current liabilities) of \$10,180,733 as at 31 December 2022 (30 June 2022: net working capital deficiency \$83,031).

The deficiency in net working capital is due to current liabilities including \$10.0 million in deferred consideration in relation to the Underwood property acquisition (details refer to note 8). The stapled group has available undrawn debt capacity of \$75.27 million in its debt facility which it will draw down on to meet the payment of the \$10.0 million deferred consideration when it is due at settlement.

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 2022 and are not expected to have any significant impact for the full financial year ending 30 June 2023.

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 Board of Directors of the Responsible Entity. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Comparative information

No reclassification of comparative information has occurred.

Note 4. Operating segments

Identification of reportable operating segments

The stapled group comprises a portfolio of nine 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 eight high-quality commercial properties that includes the Preston property that is currently under construction and due for completion in mid calendar year 2023. 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 CODM in assessing performance and in determining the allocation of resources, the stapled group is organised into 2 operating segments being NHT and NCP.

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 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.

Newmark Property REIT
Notes to the financial statements
31 December 2022

Note 4. Operating segments (continued)

Intersegment transactions

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

Major customers

During the half-year ended 31 December 2022, approximately 68.15% of the stapled group's external revenue was derived from Bunnings tenancies (31 December 2021: 62.9%).

Note 5. Revenue and other income

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Rental income	12,188,780	9,097,776
Straight line rental adjustment	64,892	224,525
Recoverable outgoings	1,156,136	798,423
Other cost recoveries	-	13,068
Interest income	662,220	330,000
Other income	44,205	4,667
	<u>14,116,233</u>	<u>10,468,459</u>
Revenue and other income		

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

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Non-current assets</i>		
Investment properties - at fair value	<u>528,250,000</u>	<u>472,250,000</u>
Investment property – under construction	<u>30,413,420</u>	<u>15,132,474</u>
	<u>558,663,420</u>	<u>487,382,474</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	487,382,474	320,750,000
Purchases	71,280,946	43,587,000
Transaction costs	3,232,490	4,475,626
Straight line rental adjustment	64,892	486,236
Revaluation (decrements)/increments	(3,297,382)	38,083,612
Additions from NCP at time of stapling	-	80,000,000
	<u>558,663,420</u>	<u>487,382,474</u>
Closing fair value		

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

Additions

On 5 July 2022, NPR made a partial advance payment of \$15.0 million relating to the acquisition of the Preston property.

On 8 July 2022, NPR announced the conditional acquisition of the Underwood property, a high-quality LFR property in metropolitan Brisbane, Queensland for \$57.0 million. On 23 August 2022 a fire occurred at the property causing material damage to one of the property's buildings (Building 4). On 19 December 2022, NPR announced that it had agreed with the vendor (Clarence Property) to vary the terms of the original contract, including a reduction in the purchase price to \$56.0 million. Additionally, settlement of the property was revised with NPR making a partial payment of \$46.0 million on 21 December 2022, which was funded via NPR's debt facility, with the property's title to be transferred at settlement. The remaining \$10.0 million is due and payable upon certain milestones being reached, including reinstatement of Building 4, commencement of trading by affected tenants and rectification of defects.

Valuations of investment properties

The directors will assess the value of each property as at each financial reporting date. The basis of the valuation of investment properties is fair value. The scheme documents of each of NHT and NCP require its investment properties to be independently valued at least once every three years or more frequently if required by a lender or where the Directors believe there has been a material change in value. The directors currently intend to have each property independently valued on a rolling cycle once every 18 months.

In accordance with the Responsible Entity's valuation policy, independent valuations of the Melton and Maroochydore properties were obtained as at 31 December 2022. These valuations were provided by independent valuers, each being a member of the Australian Property Institute and having adequate experience in the location and category of the respective investment property being valued. The balance of the NPR portfolio was assessed by internal directors' valuations as at 31 December 2022.

Revaluation decrements in the current financial period related to capitalised transaction costs (Underwood stamp duty \$3.2 million) that were written off in accordance with the accounting standards.

For the key inputs used in determining investment property valuations, refer to note 11.

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 2022 have remained unchanged from those adopted at 30 June 2022.

Note 7. Non-current liabilities – borrowings

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Non-current liabilities</i>		
Bank loans	198,848,533	129,779,539
	<u>198,848,533</u>	<u>129,779,539</u>

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

The bank loan balance comprises the following components:

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Drawn down loan facility	199,730,332	130,730,421
Capitalised borrowing costs	(2,551,682)	(2,286,792)
Amortised borrowing costs	1,669,883	1,335,910
	<u>198,848,533</u>	<u>129,779,539</u>

Assets pledged as security

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

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Investment properties (note 6)	<u>528,250,000</u>	<u>472,250,000</u>

Financing arrangements

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

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Total facilities		
Bank loans	<u>275,000,000</u>	<u>215,000,000</u>
Used at the reporting date		
Bank loans	<u>199,730,332</u>	<u>130,730,332</u>
Unused at the reporting date		
Bank loans	<u>75,269,668</u>	<u>84,269,668</u>

Unamortised capitalised borrowings costs of \$881,799 have been netted off against the total loan funds drawn down at reporting date.

Banking arrangements as at 31 December 2022 consist of a syndicated finance facility provided by two major Australian banks. The bank facilities were modified on 20 December 2022 to increase the facility limit to \$275,000,000. As part of the amendment to the debt facility, the Interest Cover Ratio (ICR) covenant requirement was reduced from 2.5x to 2.0x. The Loan to Value Ratio ('LVR') covenant remained unchanged at 55.0%.

Note 8. Deferred Consideration

During the period, the acquisition of the Underwood property was revised to a structured settlement with NPR making a partial payment of \$46.0 million on 21 December 2022. The remaining \$10.0 million will be due and payable upon certain milestones being reached including the reinstatement of the building, commencement of trading by affected tenants and rectification of defects, expected to be completed in the third quarter of calendar year 2023. Refer to note 6 for further detail.

The directors have adopted the nominal deferred consideration value of \$10.0 million, as the stapled group believes this is the most likely outflow following rectification work on the Underwood property by the vendor.

Note 9. Equity - issued capital

	31 Dec 2022	30 Jun 2022	Consolidated	
	Stapled securities	Stapled securities	31 Dec 2022	30 Jun 2022
			\$	\$
Stapled securities - fully paid	<u>180,304,662</u>	<u>181,648,296</u>	<u>222,497,093</u>	<u>224,119,254</u>
	<u>180,304,662</u>	<u>181,648,296</u>	<u>222,497,093</u>	<u>224,119,254</u>

Movements in stapled securities

Details	Date	Stapled securities	\$
Balance	1 July 2022	181,648,296	224,119,254
Share buybacks	16 August 2022 - 31 December 2022	<u>(1,343,634)</u>	<u>(1,622,161)</u>
Balance of stapled securities	31 December 2022	<u>180,304,662</u>	<u>222,497,093</u>

NCP unit capital is disclosed as non-controlling interests.

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.

On-market buy-back

Newmark Property REIT commenced an on-market buy-back of its stapled securities on 16 August 2022. As at 31 December 2022, Newmark Property REIT had bought back 1,343,634 stapled securities for a total consideration of \$1,961,035.

Note 10. Equity - distributions

Distributions declared and/or paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2022	31 Dec 2021
Distribution paid on 17 December 2021 for the period 1 July 2021 to 7 December 2021 of 3.89 cents per ordinary unit		3,715,450
Distribution paid on 11 February 2022 for the period 8 December to 31 December 2021 of 0.68 cents per stapled security		1,265,371
Distribution paid on 11 November 2022 for the period 1 July 2022 to 30 September 2022 of 2.50 cents per stapled security	4,702,176	
Distribution declared and to be paid on 10 February 2023 for the period 1 October 2022 to 31 December 2022 of 2.50 cents per stapled security	<u>4,507,617</u>	
	<u>9,209,793</u>	<u>4,980,821</u>

Total distributions paid during the half year ended 31 December 2022 were \$8,934,582. (Total distributions paid include a distribution paid on 11 August 2022 for the period 1 April 2022 to 30 June 2022 of \$4,232,406 and a distribution paid on 11 November 2022 for the period 1 July 2022 to 30 September 2022 of \$4,702,176).

Note 11. Fair value measurement

Fair value hierarchy

The following tables detail the stapled group'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

Consolidated - 31 December 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment properties at fair value	-	-	528,250,000	528,250,000
Interest rate cap hedging instruments	-	3,027,786	-	3,027,786
Total assets	-	3,027,786	528,250,000	531,277,786

Consolidated - 30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment properties at fair value	-	-	472,250,000	472,250,000
Interest rate cap hedging instruments	-	2,880,094	-	2,880,094
Total assets	-	2,880,094	472,250,000	475,130,094

There were no transfers between levels during the December 2022 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.

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 or more frequently if required by a lender or where the directors believe there has been a material change in value. In the intervening periods, the property valuations may be revised according to the Responsible Entity's assessment of the property market.

In accordance with the Responsible Entity's valuation policy, valuations of the Melton and Maroochydore properties were obtained on 31 December 2022 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 balance of the NPR portfolio was assessed by internal directors' valuations as at 31 December 2022.

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.

Note 11. Fair value measurement (continued)

Level 3 assets and liabilities

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

Description		Range (weighted average)	
		31 Dec 2022	30 Jun 2022
Investment property	Unobservable inputs		
	(i) Capitalisation rate	4.00% to 6.25%	4.00% to 6.25%
	(ii) Discount rate	5.25% to 6.75%	5.25% to 6.75%
	(iii) Terminal yield	4.25% to 6.50%	4.25% to 6.50%
	(iv) Rental growth	1.82% to 2.51%	1.82% to 2.51%

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 2022 have remained unchanged from 30 June 2022.

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 2022 \$	30 Jun 2022 \$
Capitalisation rate movement - increase/(decrease)			
	minus 50 bps	62,155,011	56,260,270
	minus 25 bps	29,309,722	26,509,720
	plus 25 bps	(26,325,400)	(23,779,950)
	plus 50 bps	(50,107,219)	(45,237,650)

Note 12. 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 13. Contingent liabilities

NPR has contracted to purchase the Preston property upon completion which is currently forecast for mid 2023. Upon completion, the remaining payments due under the contract of \$56.25m will be funded from available cash and the current debt facility within which provision has been made.

Note 14. Related party transactions

Parent entity

Newmark Hardware Trust is the parent entity.

Note 14. Related party transactions (continued)

Responsible entity

Newmark Property REIT is managed by Newmark REIT Management Limited ('NRML' or 'Responsible Entity') 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. It also has a right to be fully indemnified in respect of all expenses, liabilities, costs and any other matters in connection with the trusts and against all actions, proceedings, costs, claims and demands brought against the Responsible Entity in its capacity as trustee of the trusts, with limited exceptions.

Newmark Property Group Pty Ltd

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, Newmark Property Funds Management Pty Ltd ('investment manager'), Newmark Operations Pty Ltd and Newmark Asset Management Pty Ltd ('property manager')) own 18.3% 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 is entitled to the following fees:

- (investment management fee) 0.60% of GAV per annum (before GST) for the provision of Investment Management Services which is payable monthly by the Responsible Entity out of the assets of Newmark Property REIT. If the Investment Manager does not charge a fee in any given month, the Responsible Entity is able to charge 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 is 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').

Note 14. Related party transactions (continued)

The Property Manager is 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 12.

Transactions with related parties

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Payment for services:		
The following payments were made to Newmark REIT Management Ltd as Responsible Entity		
- Management fees	1,405,800	1,164,058
- Compliance fees	84,000	-
The following payments were made to Newmark Operations Pty Ltd		
- Investor relation fees	15,500	-
- Legal fees	52,500	-
The following payments were made to Newmark Property Funds Management Pty Ltd as Investment Manager		
- Investment management fee	-	150,968
- Acquisition fees	610,000	653,805
- Finance facility fee	120,000	338,933
- Reimbursed expenses	206,262	89,489
The following payments were made to Newmark Asset Management Pty Ltd as Property Manager		
- Property management fee	108,637	90,012
- New lease fees	-	15,346

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.

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Note 14. Related party transactions (continued)

Director security holdings

The stapled securities held by directors in the stapled group at the end of the financial period are as follows:

Director	Stapled securities held
Christopher Langford	48,729
Michael Doble	56,513
Andrew Erikson	50,000
Melinda Snowden	15,000
Mark Allan	27,323
	<u>197,565</u>

Terms and conditions

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

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 2022 %	30 Jun 2022 %
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

From 1 January 2023 to 27 January 2023, Newmark Property REIT continued its stapled securities on-market buyback program and bought back 152,093 stapled securities for a total consideration of \$222,472.

Subsequent to period end, the stapled group entered into a 2-year interest rate swap with a notional value of \$75.0 million with a commencement date of 3 July 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the stapled group's operations, the results of those operations, or the stapled group's state of affairs in future financial years.

Note 17. Earnings per stapled security

	Consolidated	
	31 Dec 2022 \$	31 Dec 2021 \$
Profit	3,432,769	4,349,384
Non-controlling interest	(1,686,798)	464,375
Profit attributable to the owners of Newmark Property REIT	<u>1,745,971</u>	<u>4,813,759</u>

Newmark Property REIT
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Note 17. Earnings per stapled security (continued)

	Number 31 Dec 2022	Number 31 Dec 2021
Weighted average number of stapled securities (31 Dec 2021: ordinary units) used in calculating basic earnings per stapled security (31 Dec 2021: per ordinary unit)	<u>181,164,345</u>	<u>106,155,475</u>
Weighted average number of stapled securities (31 Dec 2021: ordinary units) used in calculating diluted earnings per stapled security (31 Dec 2021: per ordinary unit)	<u>181,164,345</u>	<u>106,155,475</u>
	Cents	Cents
Basic earnings per stapled security	0.96	4.53
Diluted earnings per stapled security	0.96	4.53



Newmark Capital (Chadstone) Property Trust
(ARSN 648 280 219)

Interim Report – Half Year ended 31 December 2022

Newmark Capital (Chadstone) Property Trust
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Revenue and other income	4	3,195,983	3,004,975
Net fair value remeasurement of investment properties	5	(78,832)	(1,038,444)
Expenses			
Custodian fees		(12,500)	(22,106)
Transaction costs		(105,227)	(222,382)
Legal and professional fees		(64,289)	(44,778)
Management fees		(243,852)	(241,413)
Borrowing costs amortisation		-	(67,097)
Property expenses		(590,104)	(609,048)
Registry fees		(1,156)	(24,049)
Other expenses		(59,010)	(525,110)
Finance costs		(354,215)	(337,494)
Profit/(loss) for the half-year attributable to the unitholders of Newmark Capital (Chadstone) Property Trust		1,686,798	(126,946)
Other comprehensive income for the half-year		-	-
Total comprehensive income/(loss) for the half-year attributable to the unitholders of Newmark Capital (Chadstone) Property Trust		1,686,798	(126,946)
		Cents	Cents
Basic earnings per unit	13	0.93	(0.26)
Diluted earnings per unit	13	0.93	(0.26)

Newmark Capital (Chadstone) Property Trust
Statement of financial position
As at 31 December 2022

	Note	31 Dec 2022 \$	30 Jun 2022 \$
Assets			
Current assets			
Cash and cash equivalents		769,786	939,389
Trade and other receivables		56,128	4,779
Other assets		48,796	277,531
Total current assets		<u>874,710</u>	<u>1,221,699</u>
Non-current assets			
Investment properties	5	<u>82,000,000</u>	<u>82,000,000</u>
Total non-current assets		<u>82,000,000</u>	<u>82,000,000</u>
Total assets		<u>82,874,710</u>	<u>83,221,699</u>
Liabilities			
Current liabilities			
Trade and other payables		1,325,999	1,727,798
Borrowings	6	18,457,646	18,118,771
Distributions payable		778,916	795,693
Revenue received in advance		304,392	300,955
Total current liabilities		<u>20,866,953</u>	<u>20,943,217</u>
Total liabilities		<u>20,866,953</u>	<u>20,943,217</u>
Net assets		<u>62,007,757</u>	<u>62,278,482</u>
Equity			
Issued capital	7	49,179,524	49,518,398
Retained earnings		<u>12,828,233</u>	<u>12,760,084</u>
Total Equity		<u>62,007,757</u>	<u>62,278,482</u>

Newmark Capital (Chadstone) Property Trust
Statement of changes in equity
For the half-year ended 31 December 2022

	Issued capital	Retained earnings	Total equity
	\$	\$	\$
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 declared (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>

	Issued capital	Retained earnings	Total equity
	\$	\$	\$
Consolidated			
Balance at 1 July 2022	49,518,398	12,760,084	62,278,482
Profit for the half-year	-	1,686,798	1,686,798
Other comprehensive income for the half-year	-	-	-
Total comprehensive income for the half-year	-	1,686,798	1,686,798
<i>Transactions with owners in their capacity as owners:</i>			
Share buybacks (note 7)	(338,874)	-	(338,874)
Distributions declared (note 8)	-	(1,618,649)	(1,618,649)
Balance at 31 December 2022	<u>49,179,524</u>	<u>12,828,233</u>	<u>62,007,757</u>

Newmark Capital (Chadstone) Property Trust
Statement of cash flows
For the half-year ended 31 December 2022

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Cash flows from operating activities			
Rental and outgoings received (inclusive of GST)		3,252,248	3,350,129
Payments to suppliers (inclusive of GST)		(1,353,378)	(1,920,640)
Finance costs paid		<u>(354,215)</u>	<u>(337,494)</u>
Net cash from operating activities		<u>1,544,655</u>	<u>1,091,995</u>
Cash flows from investing activities			
Payments for capital improvements		<u>(78,832)</u>	<u>(534,929)</u>
Net cash used in investing activities		<u>(78,832)</u>	<u>(534,929)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	18,791,701
Repayment of borrowings		-	(40,932,903)
Proceeds from issue of units (net of transaction costs)		-	23,418,003
Distributions paid		<u>(1,635,426)</u>	<u>(2,014,766)</u>
Net cash from financing activities		<u>(1,635,426)</u>	<u>(737,965)</u>
Net increase in cash and cash equivalents		(169,603)	(180,899)
Cash and cash equivalents at the beginning of the financial half-year		<u>939,389</u>	<u>935,567</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>769,786</u></u>	<u><u>754,668</u></u>

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2022

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 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022.

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 profit for the period of \$1,686,798 (31 Dec 2021: loss of \$126,946) and had a net working capital deficiency (current assets less current liabilities) of \$19,992,243 as at 31 December 2022 (30 Jun 2022: net working capital deficiency \$19,721,518).

The deficiency in net working capital is mainly due to \$18.5 million intercompany loan from Newmark Hardware Trust ('NHT') described below. Payment for the loan will not be called at any time up to 12 months from the date of the signing the financial report of the Fund for the year ended 31 December 2022.

The Trust has related party borrowings from 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.

Note 2. Significant accounting policies (continued)

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.

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.

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 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 2022, external rental income generated was derived from the following tenants: Bunnings 42% (31 Dec 2021: 39%); E&S Trading 13% (31 Dec 2021: 12%); The Good Guys 10% (31 Dec 2021: 11%).

Note 4. Revenue

	31 Dec 2022	31 Dec 2021
	\$	\$
Rental income	2,945,411	2,732,119
Straight line rental adjustment	(50,368)	(14,485)
Recoverable outgoings	260,945	251,004
Interest income	3,496	59
Other property income	36,499	36,278
	<hr/>	<hr/>
Revenue	<u>3,195,983</u>	<u>3,004,975</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 2022

Note 5. Investment properties

	31 Dec 2022 \$	30 Jun 2022 \$
<i>Non-current assets</i>		
Investment properties - at independent valuation	<u>82,000,000</u>	<u>82,000,000</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	82,000,000	80,000,000
Acquisition and leasing costs	129,200	1,590,550
Straight line rental adjustments	(50,368)	(201,595)
Revaluation increments	<u>(78,832)</u>	<u>611,045</u>
Closing fair value	<u>82,000,000</u>	<u>82,000,000</u>

Valuations of investment properties

The directors will assess the value of the property as at each financial reporting date. The basis of the valuation of investment property is fair value. The scheme documents of NCP require its investment property to be independently valued at least once every three years or more frequently if required by a lender or where the directors believe there has been a material change in value. The directors currently intend to have the property independently valued on a rolling cycle once every 18 months.

A valuation of the Chadstone Homeplus Homemaker Centre was obtained on 30 June 2022 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. At 31 December 2022, an internal directors valuation was adopted.

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 2022 \$	30 Jun 2022 \$
<i>Current liabilities</i>		
Loan - Newmark Hardware Trust	<u>18,457,646</u>	<u>18,118,771</u>
	<u>18,457,646</u>	<u>18,118,771</u>

The loan from Newmark Hardware Trust is repayable on demand and interest is charged at rate per the syndicated debt agreement. Payment for the loan will not be called at any time up to 12 months from the date of the signing the financial report of the Fund for the year ended 31 December 2022.

Borrowings from Newmark Hardware Trust at reporting date are unsecured.

Assets pledged as security

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

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2022

Note 6. Borrowings (continued)

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

	31 Dec 2022 \$	30 Jun 2022 \$
Investment properties	<u>82,000,000</u>	<u>82,000,000</u>

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 2022 \$	30 Jun 2022 \$
Total facilities		
Newmark Hardware Trust	<u>18,457,646</u>	<u>18,118,771</u>
	<u>18,457,646</u>	<u>18,118,771</u>
Used at the reporting date		
Newmark Hardware Trust	<u>18,457,646</u>	<u>18,118,771</u>
	<u>18,457,646</u>	<u>18,118,771</u>
Unused at the reporting date		
Newmark Hardware Trust	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Note 7. Issued capital

	31 Dec 2022 Units	30 Jun 2022 Units	31 Dec 2022 \$	30 Jun 2022 \$
Stapled securities - fully paid	<u>180,304,662</u>	<u>181,648,296</u>	<u>49,179,524</u>	<u>49,518,398</u>

Movements in stapled securities

Details	Date	Units	\$
Balance	1 July 2022	181,648,296	49,518,398
Share buybacks	16 August 2022 - 31 December 2022	<u>(1,343,634)</u>	<u>(338,874)</u>
Balance	31 December 2022	<u>180,304,662</u>	<u>49,179,524</u>

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).

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2022

Note 7. Issued capital (continued)

On-market buy-back

Newmark Property REIT commenced an on-market buy-back of stapled securities on 16 August 2022. As at 31 December 2022, Newmark Capital (Chadstone) Property Trust had bought back 1,343,634 units for total consideration of \$338,874.

Note 8. Distributions

Distributions for the financial half-year were as follows:

	31 Dec 2022 \$	31 Dec 2021 \$
Distribution paid on 17 December 2021 for the period 1 July 2021 to 7 December 2021 of 5 cents per ordinary unit		1,247,619
Distribution paid on 11 February 2022 for the period 8 December 2021 to 31 December 2021 of 0.13 cents per stapled unit		232,219
Distribution paid on 11 November 2022 for the period 1 July 2022 to 30 September 2022 of 0.432 cents per stapled security	839,733	
Distribution declared and to be paid on 10 February 2023 for the period 1 October 2022 to 31 December 2022 of 0.432 cents per stapled security	778,916	
	<u>1,618,649</u>	<u>1,479,838</u>

The total distributions paid during the half year (ended 31 December 2022) was \$1,635,426. (Total distribution paid include distribution paid on 11 August 2022 for the period 1 April 2022 to 30 June 2022 \$795,693; and distribution paid on 11 November 2022 for the period 1 July 2022 to 30 September 2022 \$839,733)

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

31 Dec 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Investment properties at fair value	-	-	82,000,000	82,000,000
Total assets	-	-	82,000,000	82,000,000
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Investment properties at fair value	-	-	82,000,000	82,000,000
Total assets	-	-	82,000,000	82,000,000

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.

Note 9. Fair value measurement (continued)

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 June 2022 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. An internal directors' valuation was adopted as at 31 December 2022, resulting in no change to the book value of the property.

The basis of the valuation of investment properties is fair value. The scheme documents of the Trust require investment properties to be independently valued at least once every three years or more frequently if required by a lender or where the directors believe there has been a material change in value. In the intervening periods, 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 2022	Jun 2022
Investment property	(i) Capitalisation rate	6.25%	6.25%
	(ii) Discount rate	6.75%	6.75%
	(iii) Terminal yield	6.50%	6.50%
	(iv) Rental growth	2.51%	2.51%

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 2022	30 Jun 2022
	\$	\$
Capitalisation rate movement - increase/(decrease)		
minus 50 bps	7,130,435	8,833,333
minus 25 bps	3,416,667	5,280,000
plus 25 bps	(3,153,846)	(1,037,037)
plus 50 bps	(6,074,074)	(3,857,143)

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' or 'the Responsible Entity') 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. It also has a right to be fully indemnified in respect of all expenses, liabilities, costs and any other matters in connection with the Trust and against all actions, proceedings, costs, claims and demands brought against the Responsible Entity in its capacity as trustee of the Trust, with limited exceptions.

Newmark Property Group Pty Ltd

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, Newmark Property Funds Management Pty Ltd ('investment manager'), Newmark Operations Pty Ltd and Newmark Asset Management Pty Ltd ('property manager'), owns approximately 18.3% of the capital 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 is entitled to the following fees:

- (investment management fee) 0.60% of GAV per annum (before GST) for the provision of Investment Management Services which is payable monthly by the Responsible Entity out of the assets of Newmark Property REIT. If the Investment Manager does not charge a fee in any given month, the Responsible Entity is able to charge 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 is payable upon entering into the relevant finance facility.

Note 11. Related party transactions (continued)

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 is 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.

Transactions with related parties

The following transactions occurred with related parties:

	31 Dec 2022	31 Dec 2021
	\$	\$
Payment for services:		
The following payments were made to Newmark REIT Management Ltd as Responsible Entity		
- Management fees	243,852	207,864
- Compliance fees	16,800	-
The following payments were made to Newmark Operations Pty Ltd		
- Investor relation fees	2,500	-
- Legal fees	22,500	-
The following payments were made to Newmark Property Funds Management Pty Ltd as Investment Manager		
- Investment management fee	-	33,548
- Reimbursed expenses	43,669	-
The following payments were made to Newmark Asset Management Pty Ltd as Property Manager		
- Property management fee	11,845	23,868

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2022

Note 11. Related party transactions (continued)

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 2022	30 Jun 2022
	\$	\$
Current receivables:		
Loan to controlling entity (Newmark Hardware Trust) - operating (note 6)	672,930	672,930
Loan to controlling entity (Newmark Hardware Trust) - financing (note 6)	18,457,646	18,118,771

Stapled security holdings by directors

Director	Stapled securities held
Christopher Langford	48,729
Michael Doble	56,513
Andrew Erikson	50,000
Melinda Snowden	15,000
Mark Allan	27,323
	<hr/>
	197,565
	<hr/>

Terms and conditions

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

Note 12. Events after the reporting period

From 1 January 2023 to 27 January 2023, Newmark Capital (Chadstone) Property Trust continued its stapled security on-market buyback program and bought back 152,093 units for total consideration of \$38,444.

No other matter or circumstance has arisen since 31 December 2022 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.

Note 13. Earnings per unit

	31 Dec 2022	31 Dec 2021
	\$	\$
Profit/(loss) attributable to the unitholders of Newmark Capital (Chadstone) Property Trust	1,686,798	(126,946)
	<hr/>	<hr/>
	Number	Number
Weighted average number of ordinary units used in calculating basic earnings per unit	181,164,345	49,519,430
Weighted average number of ordinary units used in calculating diluted earnings per unit	181,164,345	49,519,430
	<hr/>	<hr/>
	Cents	Cents
Basic earnings/(loss) per unit	0.93	(0.26)
Diluted earnings/(loss) per unit	0.93	(0.26)

**Newmark Property REIT
Directors' declaration
31 December 2022**

In the directors' 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 2022 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 2022 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
Chair

21 February 2023
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 Stapled Group) which comprises the consolidated statement of financial position as at 31 December 2022, 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.

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 2022, 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.

We have also reviewed the Responsible Entity's declaration for the Stapled Group and NCP.

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 Stapled 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 Stapled Group and NCP as at 31 December 2022 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 Stapled 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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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 Stapled Group and NCP as at 31 December 2022 and their 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.

SW

SW Audit (formerly ShineWing Australia)
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 21 February 2023