

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) ('NHT') and Newmark Capital (Chadstone) Property Trust (ARSN 648 280 219) ('NCP') collectively referred to as 'Newmark Property REIT', 'stapled group' or 'NPR'.
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

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

					\$
Revenues from ordinary activities	up	25.07%	to		17,655,338
(Loss)/Profit from ordinary activities attributable to stapled security holders	down	(829.22%)	to		(25,032,491)
(Loss)/Profit for the year attributable to stapled security holders	down	(829.22%)	to		(25,032,491)
Funds from Operations (FFO)	up	3.04%	to		7,185,084

	31 Dec 2023	31 Dec 2022
	Cents	Cents
Earnings per stapled security on profit/(loss) attributable to security holders of the Trust (parent entity)		
Basic earnings per stapled security	(9.76)	0.96
Diluted earnings per stapled security	(9.76)	0.96

Distributions

Current period

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

	Distribution
	\$
Distribution paid on 10 November 2023 to security holders of Newmark Property REIT for the period 1 July 2023 to 30 September 2023 of 1.90 cents per stapled security	3,378,576
Distribution declared and to be paid on 9 February 2024 to security holders of Newmark Property REIT for the period 1 October 2023 to 31 December 2023 of 1.90 cents per stapled security	3,378,575
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	6,757,151
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Prior period

Details of distributions paid and/or declared during the prior financial period ended 31 December 2022 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 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
	<hr/>
	9,209,793
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For commentary in relation to the operations of the stapled group for the half-year ended 31 December 2023, refer to the 'Review of Operations' in the attached Director's report accompanying the financial statements.

Newmark Property REIT
Appendix 4D
Half-year report

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per stapled security	<u>167.61</u>	<u>195.59</u>
	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Net tangible assets have been calculated using the following inputs:		
Net assets	<u>298,050,981</u>	<u>352,661,940</u>
	31 Dec 2023	31 Dec 2022
	No. of units	No. of units
Stapled securities on issue	<u>177,819,763</u>	<u>180,304,662</u>

4. Control gained over entities

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

5. Loss of control over entities

In the current period, there was no loss of control over entities.

6. Distribution reinvestment plans

The Distribution Reinvestment Plan will not operate in respect of the December 2023 quarter distribution.

7. 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 Report.

8. Attachments

The Interim Report of Newmark Property REIT for the half-year ended 31 December 2023 is attached.

9. Signed

Signed 

Michael Doble
Chairperson

Date: 7 February 2024

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 2023

**Newmark Property REIT
Corporate directory
31 December 2023**

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 2023**

Responsible Entity

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 2023); and
- (ii) the financial statements of NCP (which are attached within this financial report).

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).

The stapling of securities represents a deemed acquisition by NHT of NCP for accounting purposes.

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

Principal activities

Both of NHT and NCP are registered managed investment schemes domiciled in Australia. During the half-year ended 31 December 2023, 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.

Distributions

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

	Consolidated			
	31 Dec 2023		31 Dec 2022	
	CPU	\$	CPU	\$
Distribution paid for the period 1 July 2022 to 30 September 2022			2.50	4,702,176
Distribution paid for the period 1 October 2022 to 31 December 2022			2.50	4,507,617
Distribution paid for the period 1 July 2023 to 30 September 2023	1.90	3,378,576		
Distribution declared for the period 1 October 2023 to 31 December 2023	1.90	3,378,575		
	<u>3.80</u>	<u>6,757,151</u>	<u>5.00</u>	<u>9,209,793</u>

Review of operations

Summary of financial performance

Newmark Property REIT's financial performance for the half-year ended 31 December 2023 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 distributions.

Following Bunnings Preston opening on 28 June 2023, NPR settled the Preston property by making final payments totalling \$54.2 million on 8 August 2023. The payments were funded by NPR's debt facility. The property is situated on 2 ha of land, approximately 10km north of Melbourne CBD and has a 12-year lease to Bunnings Group and lettable area of approximately 18,612 sqm.

On 8 July 2022, NPR announced the 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 to 21 December 2022 with NPR making a partial payment of \$46.0 million on settlement, funded from NPR's debt facility. The remaining \$10.0 million was due and payable upon certain milestones being reached, including reinstatement of Building 4, commencement of trading by affected tenants and rectification of defects. Following the opening of Officeworks tenancy on 9 November 2023, a \$9.0 million payment was made by NPR to the vendor on 14 November 2023 in satisfaction of obligations under the terms of the contract. The remaining \$1.0 million of deferred consideration is expected to be paid in the coming months as the remaining conditions of the contract are satisfied.

On 19 December 2023, NPR made payment of \$2.38 million to Bunnings Group to fund capital works at the Warragul Property. The rent for the Warragul Property increased by 6.25% of the amount contributed.

As at 31 December 2023, each property in the portfolio was revalued. Four properties (47.2% of the portfolio by value) were independently valued, with the balance of the portfolio subject to internal valuations. These valuations resulted in a net valuation decline of \$23.4 million, primarily driven by (weighted average) 26 bps of capitalisation rate expansion, resulting in the portfolio's WACR increasing to 5.37% (up from 5.11%).

In June 2023, the Chadstone Property was marketed for sale. Following completion of the marketing campaign, no satisfactory offers were received. Subsequently the sale campaign concluded with the property being reclassified from a non-current asset held for sale to investment property.

A summary of the financial performance of the stapled group for the half-year ended 31 December 2023 is set out below.

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Total revenue and other income	17,655,338	14,116,233
Net profit/(loss) after tax	(25,032,491)	3,432,769
Funds from operations ('FFO')	7,185,084	6,973,269
	Cents	Cents
FFO per weighted average number of stapled securities during the period	<u>4.04</u>	<u>3.85</u>

Net loss for the period of \$25.03 million represented a decreased profit of \$28.47 million compared to the prior period ('PCP') and was mainly attributable to:

- a \$28.89 million (31 Dec 2022: \$3.30 million) fair value loss on investment properties of which \$2.47 million is attributable to stamp duty and other transaction costs paid on the settlement of the Preston property;
- a \$2.43 million (31 Dec 2022: \$0.15 million gain) fair value loss on interest rate hedging instruments;
- The acquisition of the Underwood property on 21 December 2022 and settlement of the Preston property on 8 August 2023 resulted in:
 - a \$3.61 million increase in revenue and other income;
 - a \$0.54 million increase in property expenses;
 - a \$0.33 million increase in responsible entity costs; and
- a net \$2.67 million increase in interest costs as a result of an increase in bank loans of \$68.25 million following the above acquisitions combined with an increase in market interest rates on NPR's debt facilities.

Newmark Property REIT
Directors' report
31 December 2023

Funds from Operations and adjusted funds from operations

The table below provides a reconciliation between the net profit after tax for the period, funds from operations and adjusted funds from operations ('AFFO').

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Net profit/(loss) for the period	(25,032,491)	3,432,769
Add back:		
Borrowing costs amortisation	291,443	333,883
Other non-recurring costs	278,816	121,819
	<u>570,259</u>	<u>455,702</u>
Adjust for:		
Straight line rental adjustments	328,710	(64,892)
Revaluation of derivatives (note 7)	2,431,637	(147,692)
Net fair value (gain)/loss on investment property (note 6)	28,886,969	3,297,382
	<u>31,647,316</u>	<u>3,084,798</u>
Funds from Operations	<u>7,185,084</u>	<u>6,973,269</u>
Less: General capital expenditure	(394,673)	(133,300)
	<u>(394,673)</u>	<u>(133,300)</u>
Adjusted FFO ('AFFO')	<u>6,790,411</u>	<u>6,839,969</u>

Summary of financial position

A summary of the key balances from the stapled group's financial position as at 31 December 2023 is set out below.

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
Assets		
Non-current assets classified as held for sale	-	82,000,000
Investment property	572,000,000	459,772,018
Total assets	581,550,048	555,943,115
Net tangible assets	298,050,981	329,840,623
	No.	No.
Number of stapled securities on issue	177,819,763	177,819,763
Net tangible assets per stapled security	\$1.68	\$1.85

Capital management

	Consolidated
	31 Dec 2023
	\$
Drawn debt	274,980,332
Debt facility limit	275,000,000
Cash and undrawn debt	4,047,425
Gearing ratio (interest bearing liabilities less cash divided by total tangible assets less cash)	46.92%
Hedged debt (borrowings hedged as a percentage of drawn debt)	62.73%

Treasury

In addition to the existing interest rate cap (notional value of \$75.0 million), the stapled group entered into a 2-year interest rate swap with a notional value of \$75.0 million and commencement date of 3 July 2023. On 14 December 2023 the stapled group entered into a 1-year interest rate swap with a notional value of \$22.5 million and commencement date of 29 December 2023, and a 1-year interest rate swap with a notional value of \$22.5 million and commencement date of 11 February 2024. As a result, NPR has hedged \$172.5 million of borrowings as at 31 December 2023, which will increase to \$195.0 million on 11 February 2024.

Investment properties

The investment property portfolio at 31 December 2023 consisted of nine freehold assets, valued at \$572.0 million, compared to \$541.8 million at 30 June 2023. The increase in value (from \$541.8 million to \$572.0 million) was driven by settlement of the Preston property (\$56.68 million including stamp duty and other transaction costs) and payment for capital works (\$2.76 million) offset by a net valuation decrease of \$28.89 million (refer to Summary of financial performance for further details).

Related party confirmation

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

Matters subsequent to the end of the financial half-year

Proposal to merge Newmark Property REIT with BWP Trust

On 24 January 2024, the Responsible Entity announced that it entered into a Bid Implementation Deed ('BID') with BWP Management Limited ('BWPML') as responsible entity for BWP Trust ('BWP'), under which BWP will make an off-market takeover offer to acquire 100% of NPR's securities, subject to satisfaction of the conditions contemplated by the BID ('Proposal').

Under the Proposal, NPR securityholders will be offered 0.40 BWP units per NPR security ('Consideration').

The implied value of the Consideration is \$1.39 per NPR security based on the closing price of BWP of \$3.47 per unit on 23 January 2024, which reflects a:

- 43.1% premium to the closing price of NPR securities of \$0.97 on 23 January 2024;
- 41.9% premium to the 1-month VWAP of NPR securities of \$0.98 on 23 January 2024; and
- 41.2% premium to the 3-month VWAP of NPR securities of \$0.99 on 23 January 2024.

The pro forma NTA of BWP and NPR is \$3.75. The Proposal represents an 11% dilution of NPR's NTA as at 31 December 2023 of \$1.68.

NPR securityholders will retain entitlement to the December 2023 quarterly NPR distribution of 1.9 cents per security. NPR has agreed under the BID not to pay a March 2024 quarterly distribution. NPR securityholders that accept into the Proposal will be entitled to BWP's distribution for the 6 months ending 30 June 2024, which is expected to be 9.27 cents per BWP unit, if the Proposal has become unconditional. BWP units to be issued to NPR securityholders under the Proposal will rank equally with all other existing BWP units.

Background to the Proposal

On 19 December 2023, NPR received an unsolicited, confidential, conditional, non-binding indicative offer from BWP to acquire 100% of NPR securities for 0.3675 BWP units per NPR security (NBIO). The NPR Board established an IBC comprising the Independent Directors, Michael Doble, Melinda Snowden and Andrew Erikson. The IBC, in conjunction with NPR's advisers, assessed the NBIO, and following an increase in the proposed consideration to 0.40 BWP units per NPR security, determined to grant BWP a period of exclusive confirmatory due diligence in order to advance the Proposal, including negotiation of the BID.

IBC Unanimously Recommends the Proposal

The members of the IBC have unanimously recommended that NPR securityholders accept the Proposal, once the offer period opens, in the absence of a superior proposal. In addition, each member of the IBC intends to accept the Proposal in respect of all NPR securities they hold or control, in the absence of a superior proposal.

Matters subsequent to the end of the financial half-year (continued)

The IBC has carefully considered the options available to NPR to maximise securityholder value, including continuing NPR's strategy as a standalone entity, or the sale of all properties and winding-up of the trusts. The IBC believes the scrip consideration contemplated by the Proposal, which would provide the opportunity to participate in the merged group, represents a highly attractive proposition, including for the following reasons:

- material 43.1% premium to NPR's closing price on 23 January 2024;
- continued exposure for securityholders to a high quality and complementary portfolio, with income predominantly derived from Bunnings leases;
- significant increase in portfolio scale, with a combined portfolio size of approximately \$3.5 billion;
- significant increase in market capitalisation and liquidity, with a combined market capitalisation of approximately \$2.5 billion and inclusion in the S&P/ASX200 index;
- reduction in gearing from approximately 47% to approximately 23%;
- improved growth prospects, with an increased proportion of CPI reviews for portfolio leases; and
- enhanced credit profile, diversification of sources of debt and improved cost of capital.

Conditions of the Proposal

The takeover offer under the Proposal will be conditional upon a number of matters contemplated by the BID, including a 50.1% minimum acceptance condition as well as other customary conditions.

At any time from when the offer period opens to when the offer period closes ('Offer Period'), BWP may choose to waive certain conditions of the Proposal, declare the Proposal unconditional and/or extend the Offer Period.

A Bidder's Statement and Target Statement in respect of the Proposal are expected to be issued on or about 7 February 2024.

Newmark Group Transactions in relation to NPR

The Responsible Entity has been informed that its parent company, Newmark Property Group Pty Ltd ('Newmark Group') has entered into a Sale and Purchase Agreement ('SPA') with BWPML in relation to the acquisition of the Responsible Entity, conditional on the Proposal being declared unconditional. The SPA also provides for certain services to be provided by Newmark Group to effect the orderly transition of management and associated services

Additionally, Newmark Group, the Responsible Entity and other entities controlled by Newmark Group and its directors, shareholders and affiliated entities, (together, the 'Selling Entities') have entered into a pre-bid acceptance agreement with BWPML, in which the Selling Entities, that together control over 32.6 million NPR securities, representing 18.3% of NPR's total securities outstanding, have agreed to accept into the Proposal during the Offer Period, subject to certain conditions (the 'Pre-bid Acceptance Agreement').

Other than the matters disclosed in this half year financial report, no other matter or circumstance has arisen since 31 December 2023 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.

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 directors of the Responsible Entity pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Responsible Entity:



Michael Doble
Chairperson

7 February 2024
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 2023 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 Audit
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 7 February 2024

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Newmark Property REIT
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

		Consolidated	
	Note	31 Dec 2023	31 Dec 2022
		\$	\$
Revenue and other income	<u>5</u>	17,655,338	14,116,233
Net fair value remeasurement of investment properties	<u>6</u>	(28,886,969)	(3,297,382)
Remeasurement to fair value of derivatives	<u>7</u>	(2,431,637)	147,692
Expenses			
Borrowing costs amortisation		(291,443)	(333,883)
Custodian fees		(78,815)	(61,657)
Finance costs		(5,845,899)	(3,133,233)
Legal and professional fees		(250,255)	(273,710)
Transaction costs		(278,816)	(121,819)
Management fees		(1,793,028)	(1,405,800)
Other expenses		(438,154)	(359,445)
Property expenses		(2,377,248)	(1,822,949)
Registry fees		<u>(15,565)</u>	<u>(21,278)</u>
Profit/(loss) for the half-year		(25,032,491)	3,432,769
Other comprehensive income for the half-year		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the half-year		<u>(25,032,491)</u>	<u>3,432,769</u>
Profit/(loss) for the half-year is attributable to:			
Owners of Newmark Hardware Trust		(17,352,876)	1,745,971
Non-controlling interest		<u>(7,679,615)</u>	<u>1,686,798</u>
		<u>(25,032,491)</u>	<u>3,432,769</u>
Total comprehensive income/(loss) for the half-year is attributable to:			
Owners of Newmark Hardware Trust		(17,352,876)	1,745,971
Non-controlling interest		<u>(7,679,615)</u>	<u>1,686,798</u>
		<u>(25,032,491)</u>	<u>3,432,769</u>
		Cents	Cents
Earnings per stapled security on profit/(loss) attributable to security holders of the Trust (parent entity)			
Basic earnings per stapled security	<u>18</u>	(9.76)	0.96
Diluted earnings per stapled security	<u>18</u>	(9.76)	0.96

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 2023

		Consolidated	
	Note	31 Dec 2023	30 Jun 2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		4,027,757	5,089,958
Trade and other receivables		90,539	251,351
Other assets		922,721	3,032,102
Derivative financial assets	<u>8</u>	3,357,924	3,196,997
Non-current assets classified as held for sale	<u>9</u>	-	82,000,000
Total current assets		<u>8,398,941</u>	<u>93,570,408</u>
Non-current assets			
Derivative financial assets	<u>8</u>	1,151,107	2,600,689
Investment properties	<u>6</u>	572,000,000	459,772,018
Total non-current assets		<u>573,151,107</u>	<u>462,372,707</u>
Total assets		<u>581,550,048</u>	<u>555,943,115</u>
Liabilities			
Current liabilities			
Trade and other payables		1,945,584	4,399,053
Deferred consideration	<u>10</u>	1,000,000	10,000,000
Distributions payable		3,378,576	3,556,395
Revenue received in advance		2,552,609	2,007,753
Borrowings	<u>11</u>	274,622,298	-
Total current liabilities		<u>283,499,067</u>	<u>19,963,201</u>
Non-current liabilities			
Borrowings	<u>11</u>	-	206,139,291
Total non-current liabilities		<u>-</u>	<u>206,139,291</u>
Total liabilities		<u>283,499,067</u>	<u>226,102,492</u>
Net assets		<u>298,050,981</u>	<u>329,840,623</u>
Equity			
<i>Attributable to parent unitholder interests</i>			
Issued capital	<u>12</u>	219,712,673	219,712,673
Retained earnings		26,200,425	49,058,600
Parent entity interest - owners of Newmark Hardware Trust		<u>245,913,098</u>	<u>268,771,273</u>
<i>Attributable to non-controlling interests</i>			
Issued capital		48,597,866	48,597,866
Retained earnings		3,540,017	12,471,484
Non-controlling interests - owners of Newmark Capital (Chadstone) Property Trust		<u>52,137,883</u>	<u>61,069,350</u>
		<u>298,050,981</u>	<u>329,840,623</u>

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 2023

	Issued capital	Retained earnings	Non- controlling interest	Total equity
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 security holders in their capacity as owners:</i>				
Share buybacks (note 12)	(1,622,161)	-	(338,874)	(1,961,035)
Distributions declared	-	(7,591,144)	(1,618,649)	(9,209,793)
Balance at 31 December 2022	<u>222,497,093</u>	<u>68,157,090</u>	<u>62,007,757</u>	<u>352,661,940</u>
	Issued capital	Retained earnings	Non- controlling interest	Total equity
Consolidated	\$	\$	\$	\$
Balance at 1 July 2023	219,712,673	49,058,600	61,069,350	329,840,623
Loss for the half-year	-	(17,352,876)	(7,679,615)	(25,032,491)
Other comprehensive income for the half-year	-	-	-	-
Total comprehensive loss for the half-year	-	(17,352,876)	(7,679,615)	(25,032,491)
<i>Transactions with security holders in their capacity as owners:</i>				
Distributions declared	-	(5,505,299)	(1,251,852)	(6,757,151)
Balance at 31 December 2023	<u>219,712,673</u>	<u>26,200,425</u>	<u>52,137,883</u>	<u>298,050,981</u>

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 2023

	Note	Consolidated 31 Dec 2023 \$	31 Dec 2022 \$
Cash flows from operating activities			
Rental and outgoings received (inclusive of GST)		19,948,250	14,960,685
Payments to suppliers (inclusive of GST)		(7,782,408)	(4,138,961)
Interest and other finance costs paid		<u>(5,539,305)</u>	<u>(3,133,233)</u>
Net cash from operating activities		<u>6,626,537</u>	<u>7,688,491</u>
Cash flows from investing activities			
Payments for investment property		(68,443,661)	(64,513,434)
Interest income received		<u>2,486,910</u>	<u>-</u>
Net cash used in investing activities		<u>(65,956,751)</u>	<u>(64,513,434)</u>
Cash flows from financing activities			
Proceeds from borrowings		68,250,000	69,000,000
Borrowing costs paid		(58,435)	(264,889)
Payment for interest rate swaps		(2,988,581)	-
Share buybacks		-	(1,961,035)
Distributions paid		<u>(6,934,971)</u>	<u>(8,934,582)</u>
Net cash from financing activities		<u>58,268,013</u>	<u>57,839,494</u>
Net increase/(decrease) in cash and cash equivalents		(1,062,201)	1,014,551
Cash and cash equivalents at the beginning of the financial half-year		<u>5,089,958</u>	<u>5,275,909</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>4,027,757</u></u>	<u><u>6,290,460</u></u>

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 2023

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 2023 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 presented is for the financial half-year ended 31 December 2022.

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 Directors' report which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of the directors of the Responsible Entity, on 7 February 2024.

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.

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 interim report.

Note 3. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 financial statements for the year ended 30 June 2023 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*.

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.

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. There are no new or amended standards that have resulted in a change to the stapled groups accounting policies or have resulted in any retrospective adjustments for the current period.

There are no new or amended Accounting Standards or Interpretations that are not yet mandatory that have been early adopted.

Note 3. Significant accounting policies (continued)

There are Accounting Standards issued but not yet mandatory. No material impact is expected as a result of the adoption of these accounting standards. Disclosure impacts will be recognised in the year in which the Accounting Standards become mandatory.

Going Concern

The stapled group had a net working capital deficiency (current assets less current liabilities) of \$275,100,126 as at 31 December 2023.

The deficiency is predominantly due to the stapled group's bank loans expiring on 15 December 2024. The financial statements have been prepared on a going concern basis given that the stapled group has a reasonable expectation that the bank loans will be refinanced. The stapled group is in compliance with its debt covenants and has sufficient time to refinance the facility.

The directors of the Responsible Entity have also considered projected cashflow information for the twelve months from the date of the financial statements and the continued profitability of the stapled group. Accordingly, the financial statements have been prepared on a going concern basis.

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 nine high-quality commercial properties that includes the Preston property that was settled on 8 August 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.

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 Maker ('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.

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 two 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 regularly basis, being net cash flows generated by the operations of the stapled group. This is derived as Net Income with non-cash items and financing related cash flows added back. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Intersegment transactions

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

Major customers

During the half-year ended 31 December 2023, approximately 63.91% (31 December 2022: 68.15%) of the stapled group's external revenue was derived from Bunnings Group Limited tenancies.

Newmark Property REIT
Notes to the financial statements
31 December 2023

Note 5. Revenue and other income

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Revenue and other income		
Property income	17,393,853	13,454,013
Interest income	261,485	662,220
	<u>17,655,338</u>	<u>14,116,233</u>

Note 6. Non-current assets - investment properties

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Non-current assets</i>		
Investment properties - at fair value	572,000,000	429,400,000
Investment property - under construction	-	30,372,018
	<u>572,000,000</u>	<u>459,772,018</u>

Reconciliation

Reconciliation of investment properties at the beginning and end of the current and previous financial half-year are set out below:

Opening balance	459,772,018	487,382,474
Acquisitions	54,210,882	72,078,123
Additions	2,759,354	804,894
Transaction costs	2,473,425	3,473,593
Straight line rental adjustment	(328,710)	(17,168)
Fair value remeasurement	(28,886,969)	(21,121,118)
Impairment loss of Investment property - under construction	-	(828,780)
Transfer from/(to) non-current assets classified as held for sale	82,000,000	(82,000,000)
	<u>572,000,000</u>	<u>459,772,018</u>
Closing balance		

Net fair value remeasurement of investment properties as listed in Statement of profit and loss consists of:

Fair value remeasurement	(28,886,969)	(21,121,118)
Impairment loss of Investment property - under construction	-	(828,780)
	<u>(28,886,969)</u>	<u>(21,949,898)</u>

Additions

Following Bunnings Preston opening on 28 June 2023, NPR settled the Preston property by making final payments totaling \$54.2 million on 8 August 2023. The payments were funded by NPR's debt facility. The property is situated on 2 ha of land, approximately 10km north of Melbourne CBD and has a 12-year lease to Bunnings Group and lettable area of approximately 18,612 sqm.

In June 2023, the Chadstone Property was marketed for sale. Following completion of the marketing campaign, no satisfactory offers were received. Subsequently the sale campaign concluded with the property being reclassified from assets held for sale to investment property.

On 19 December 2023, NPR made payment of \$2.38 million to Bunnings Group to fund capital works at the Warragul Property. The rent for the Warragul Property increased by 6.25% of the amount contributed.

Newmark Property REIT
Notes to the financial statements
31 December 2023

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

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 Chadstone, Preston, Eastgardens and Lake Haven were obtained as at 31 December 2023. 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 2023.

For the key inputs used in determining investment property valuations, refer to note 13.

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).

Note 7. Remeasurement to fair value of derivatives

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Remeasurement to fair value of derivatives	<u>(2,431,637)</u>	<u>147,692</u>

The net fair value loss in relation to derivative financial instruments of \$2,431,637 (31 December 2022: gain of \$147,692) arose as a result of the revaluation of interest rate cap and interest rate swap hedging instruments.

Note 8. Derivative financial assets

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current assets</i>		
Fair value of interest rate cap hedging instruments	1,070,962	2,019,765
Fair value of interest rate swap hedging instruments	1,636,962	(1,318,368)
Interest rate swap upfront payment	<u>650,000</u>	<u>2,495,600</u>
	<u>3,357,924</u>	<u>3,196,997</u>
<i>Non-current assets</i>		
Fair value of interest rate cap hedging instruments	285,240	865,770
Fair value of interest rate swap hedging instruments	<u>865,867</u>	<u>1,734,919</u>
	<u>1,151,107</u>	<u>2,600,689</u>
	<u>4,509,031</u>	<u>5,797,686</u>

Note 9. Non-current assets classified as held for sale

	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current assets</i>		
Non-current assets classified as held for sale	<u>-</u>	<u>82,000,000</u>

In June 2023, the Chadstone Property was marketed for sale. Following completion of the marketing campaign, no satisfactory offers were received. Subsequently the sale campaign concluded with the property being reclassified from assets held for sale to investment property.

Newmark Property REIT
Notes to the financial statements
31 December 2023

Note 10. Deferred consideration

On 8 July 2022, NPR announced the acquisition of the Underwood property, a high-quality large format retail ('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 to 21 December 2022 with NPR making a partial payment of \$46.0 million on settlement, funded from NPR's debt facility. The remaining \$10.0 million was due and payable upon certain milestones being reached, including reinstatement of Building 4, commencement of trading by affected tenants and rectification of defects. Following the opening of Officeworks tenancy on 9 November 2023, a \$9.0 million payment was made by NPR to the vendor on 14 November 2023 in satisfaction of obligations under the terms of the contract. The remaining \$1.0 million of deferred consideration is expected to be paid in the coming months as the remaining conditions of the contract are satisfied.

Note 11. Borrowings

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current liabilities</i>		
Bank loans (net of borrowing costs)	274,662,298	-
<i>Non-current liabilities</i>		
Bank loans (net of borrowing costs)	-	206,139,291
	<u>274,622,298</u>	<u>206,139,291</u>

The stapled group's banking loans expire on 15 December 2024.

The bank loan balance comprises the following components:

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
Drawn down loan facility	274,980,332	206,730,332
Capitalised borrowing costs	(2,700,116)	(2,641,681)
Amortised borrowing costs	<u>2,342,082</u>	<u>2,050,640</u>
	<u>274,622,298</u>	<u>206,139,291</u>

Assets pledged as security

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

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
Non-current assets classified as held for sale (note 9)	-	82,000,000
Investment properties (note 6)	<u>572,000,000</u>	<u>429,400,000</u>
	<u>572,000,000</u>	<u>511,400,000</u>

Financing arrangements

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

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$	\$
Total facilities		
Bank loans	<u>275,000,000</u>	<u>275,000,000</u>
Used at the reporting date		
Bank loans	<u>274,980,332</u>	<u>206,730,332</u>
Unused at the reporting date		
Bank loans	<u>19,668</u>	<u>68,269,668</u>

Newmark Property REIT
Notes to the financial statements
31 December 2023

Note 11. Borrowings (continued)

Banking arrangements as at 31 December 2023 consist of a syndicated finance facility provided by two major Australian banks. The Interest Cover Ratio (ICR) covenant requirement is 2.0x, and the Loan to Value Ratio ('LVR') covenant is 55.0%. The ICR at 31 December 2023 was 2.23 and the LVR was 48.07%. The stapled group is in compliance with its debt facility covenant requirements.

Note 12. Issued capital

	31 Dec 2023 Units	30 Jun 2023 Units	Consolidated 31 Dec 2023 \$	30 Jun 2023 \$
Stapled securities - fully paid	177,819,763	177,819,763	219,712,673	219,712,673
	<u>177,819,763</u>	<u>177,819,763</u>	<u>219,712,673</u>	<u>219,712,673</u>

Movements in stapled securities

Details	Date	Units	\$
Balance	1 July 2023	177,819,763	219,712,673
Share buybacks	1 July 2023 – 31 December 2023	-	-
Balance of stapled securities	31 December 2023	<u>177,819,763</u>	<u>219,712,673</u>

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. On 20 December 2023, the buy-back concluded with no stapled securities transacted within this half year.

Note 13. 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 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment properties at fair value	-	-	572,000,000	572,000,000
Interest rate hedging instruments	-	4,509,031	-	4,509,031
Total assets	<u>-</u>	<u>4,509,031</u>	<u>572,000,000</u>	<u>576,509,031</u>

Consolidated - 30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Non-current assets classified as held for sale	-	-	82,000,000	82,000,000
Investment properties at fair value	-	-	429,400,000	429,400,000
Interest rate hedging instruments	-	5,797,686	-	5,797,686
Total assets	<u>-</u>	<u>5,797,686</u>	<u>511,400,000</u>	<u>517,197,686</u>

Note 13. Fair value measurement (continued)

There were no transfers between levels during the December 2023 half year.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables are assumed to approximate their 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, independent valuations of the Chadstone, Preston, Eastgardens and Lake Haven properties were obtained as at 31 December 2023. 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 2023.

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 and returns on investment. Any changes in estimates impacts the carrying value of investment property and the fair value adjustment recognised in profit or loss.

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

Level 3 assets and liabilities - inputs and sensitivities

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

Description	Unobservable inputs	Range	
		31 Dec 2023	30 Jun 2023
Investment property	(i) Capitalisation rate	4.75% to 7.25%	4.50% to 6.50%
	(ii) Discount rate	6.00% to 7.75%	5.50% to 7.25%
	(iii) Terminal yield	5.00% to 7.50%	4.75% to 6.75%
	(iv) Rental growth	2.50% to 3.00%	2.50% to 3.00%

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 and discount rates is as follows:

	31 Dec 2023	30 Jun 2023
	\$	\$
Capitalisation rate movement - increase/(decrease)		
minus 50 bps	56,118,883	50,827,131
minus 25 bps	24,306,330	22,190,378
plus 25 bps	(29,890,388)	(27,497,867)
plus 50 bps	(52,984,683)	(49,040,953)

Note 14. 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 direct 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 15. Contingent liabilities

As at the date of the Interim Report, NPR has no contingent liabilities.

Note 16. Related party information

Parent entity

Newmark Hardware Trust is the parent entity.

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 2001*, 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 18.56% of the stapled securities of Newmark Property REIT.

Subsidiaries

Interests in subsidiaries are set out in note 17.

Key management personnel

Disclosures relating to key management personnel are set out in note 14.

Newmark Property REIT
Notes to the financial statements
31 December 2023

Note 16. Related party information (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$	\$
Payment for services:		
The following payments were made to Newmark REIT Management Ltd as Responsible Entity		
- Management fees	1,793,028	1,405,800
- Compliance fees	65,388	84,000
	<u>1,858,416</u>	<u>1,489,800</u>
The following payments were made to Newmark Operations Pty Ltd		
- Investor relation fees	16,800	15,500
- Legal fees	72,495	52,500
	<u>89,295</u>	<u>68,000</u>
The following payments were made to Newmark Property Funds Management Pty Ltd as Investment Manager		
- Acquisition fees	551,705	610,000
- Finance facility fee	-	120,000
- Reimbursed expenses	353,782	206,262
	<u>905,487</u>	<u>936,262</u>
The following payments were made to Newmark Asset Management Pty Ltd as Property Manager		
- Property management fee	110,145	108,637
- New lease fees	1,550	-
- Lease administration fees	3,025	-
	<u>114,720</u>	<u>108,637</u>

Receivable from and payable to related parties

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

Loans to/from related parties

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

Director security holdings

The stapled securities held by directors 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.

Newmark Property REIT
Notes to the financial statements
31 December 2023

Note 17. Interest 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 2023 %	30 Jun 2023 %
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 18. Earnings per security

	Consolidated	
	31 Dec 2023 \$	31 Dec 2022 \$
Profit/(loss)	(25,032,491)	3,432,769
Non-controlling interest	<u>7,679,615</u>	<u>(1,686,798)</u>
Profit/(loss) attributable to the owners of Newmark Property REIT	<u>(17,352,876)</u>	<u>1,745,971</u>
	Number	Number
Weighted average number of stapled securities used in calculating basic earnings per stapled security	<u>177,819,763</u>	<u>181,164,345</u>
Weighted average number of stapled securities used in calculating diluted earnings per stapled security	<u>177,819,763</u>	<u>181,164,345</u>
	Cents	Cents
Earnings per stapled security on profit/(loss) attributable to security holders of the Trust (parent entity)		
Basic earnings per stapled security	(9.76)	0.96
Diluted earnings per stapled security	(9.76)	0.96

Note 19. Events after the reporting period

Proposal to merge Newmark Property REIT with BWP Trust

On 24 January 2024, the Responsible Entity announced that it entered into a Bid Implementation Deed ('BID') with BWP Management Limited ('BWPML') as responsible entity for BWP Trust ('BWP'), under which BWP will make an off-market takeover offer to acquire 100% of NPR's securities, subject to satisfaction of the conditions contemplated by the BID ('Proposal').

Under the Proposal, NPR securityholders will be offered 0.40 BWP units per NPR security ('Consideration').

The implied value of the Consideration is \$1.39 per NPR security based on the closing price of BWP of \$3.47 per unit on 23 January 2024, which reflects a:

- 43.1% premium to the closing price of NPR securities of \$0.97 on 23 January 2024;
- 41.9% premium to the 1-month VWAP of NPR securities of \$0.98 on 23 January 2024; and
- 41.2% premium to the 3-month VWAP of NPR securities of \$0.99 on 23 January 2024.

The pro forma NTA of BWP and NPR is \$3.75. The Proposal represents an 11% dilution of NPR's NTA as at 31 December 2023 of \$1.68.

NPR securityholders will retain entitlement to the December 2023 quarterly NPR distribution of 1.9 cents per security. NPR has agreed under the BID not to pay a March 2024 quarterly distribution. NPR securityholders that accept into the Proposal will be entitled to BWP's distribution for the 6 months ending 30 June 2024, which is expected to be 9.27 cents per BWP unit, if the Proposal has become unconditional. BWP units to be issued to NPR securityholders under the Proposal will rank equally with all other existing BWP units.

Note 19. Events after the reporting period (continued)

Background to the Proposal

On 19 December 2023, NPR received an unsolicited, confidential, conditional, non-binding indicative offer from BWP to acquire 100% of NPR securities for 0.3675 BWP units per NPR security (NBIO). The NPR Board established an IBC comprising the Independent Directors, Michael Doble, Melinda Snowden and Andrew Erikson. The IBC, in conjunction with NPR's advisers, assessed the NBIO, and following an increase in the proposed consideration to 0.40 BWP units per NPR security, determined to grant BWP a period of exclusive confirmatory due diligence in order to advance the Proposal, including negotiation of the BID.

IBC Unanimously Recommends the Proposal

The members of the IBC have unanimously recommended that NPR securityholders accept the Proposal, once the offer period opens, in the absence of a superior proposal. In addition, each member of the IBC intends to accept the Proposal in respect of all NPR securities they hold or control, in the absence of a superior proposal.

The IBC has carefully considered the options available to NPR to maximise securityholder value, including continuing NPR's strategy as a standalone entity, or the sale of all properties and winding-up of the trusts. The IBC believes the scrip consideration contemplated by the Proposal, which would provide the opportunity to participate in the merged group, represents a highly attractive proposition, including for the following reasons:

- material 43.1% premium to NPR's closing price on 23 January 2024;
- continued exposure for securityholders to a high quality and complementary portfolio, with income predominantly derived from Bunnings leases;
- significant increase in portfolio scale, with a combined portfolio size of approximately \$3.5 billion;
- significant increase in market capitalisation and liquidity, with a combined market capitalisation of approximately \$2.5 billion and inclusion in the S&P/ASX200 index;
- reduction in gearing from approximately 47% to approximately 23%;
- improved growth prospects, with an increased proportion of CPI reviews for portfolio leases; and
- enhanced credit profile, diversification of sources of debt and improved cost of capital.

Conditions of the Proposal

The takeover offer under the Proposal will be conditional upon a number of matters contemplated by the BID, including a 50.1% minimum acceptance condition as well as other customary conditions.

At any time from when the offer period opens to when the offer period closes ('Offer Period'), BWP may choose to waive certain conditions of the Proposal, declare the Proposal unconditional and/or extend the Offer Period.

A Bidder's Statement and Target Statement in respect of the Proposal are expected to be issued on or about 7 February 2024.

Newmark Group Transactions in relation to NPR

The Responsible Entity has been informed that its parent company, Newmark Property Group Pty Ltd ('Newmark Group') has entered into a Sale and Purchase Agreement ('SPA') with BWPML in relation to the acquisition of the Responsible Entity, conditional on the Proposal being declared unconditional. The SPA also provides for certain services to be provided by Newmark Group to effect the orderly transition of management and associated services

Additionally, Newmark Group, the Responsible Entity and other entities controlled by Newmark Group and its directors, shareholders and affiliated entities, (together, the 'Selling Entities') have entered into a pre-bid acceptance agreement with BWPML, in which the Selling Entities, that together control over 32.6 million NPR securities, representing 18.3% of NPR's total securities outstanding, have agreed to accept into the Proposal during the Offer Period, subject to certain conditions (the 'Pre-bid Acceptance Agreement').

Other than the matters disclosed in this half year financial report, no other matter or circumstance has arisen since 31 December 2023 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.

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

Interim Report – Half year ended 31 December 2023

Newmark Capital (Chadstone) Property Trust
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	31 Dec 2023 \$	31 Dec 2022 \$
Revenue and other income	<u>4</u>	3,285,548	3,195,983
Net fair value remeasurement of investment properties	<u>6</u>	(9,399,624)	(78,832)
Expenses			
Custodian fees		(13,930)	(12,500)
Transaction costs		(13,338)	(105,227)
Legal and professional fees		(52,376)	(64,289)
Management fees		(248,312)	(243,852)
Property expenses		(594,614)	(590,104)
Other expenses		(65,871)	(60,166)
Finance costs		<u>(577,098)</u>	<u>(354,215)</u>
Profit/(loss) for the half-year attributable to the unitholders of Newmark Capital (Chadstone) Property Trust		(7,679,615)	1,686,798
Other comprehensive income for the half-year		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the half-year attributable to the unitholders of Newmark Capital (Chadstone) Property Trust		<u>(7,679,615)</u>	<u>1,686,798</u>
		Cents	Cents
Basic earnings per share	<u>12</u>	(4.32)	0.93
Diluted earnings per share	<u>12</u>	(4.32)	0.93

Newmark Capital (Chadstone) Property Trust
Statement of financial position
As at 31 December 2023

	Note	31 Dec 2023 \$	30 Jun 2023 \$
Assets			
Current assets			
Cash and cash equivalents		482,522	573,949
Trade and other receivables		1,962	20,047
Other assets		42,329	210,236
Non-current assets classified as held for sale	<u>5</u>	-	82,000,000
Total current assets		<u>526,813</u>	<u>82,804,232</u>
Non-current assets			
Investment properties	<u>6</u>	72,500,000	-
Total non-current assets		<u>72,500,000</u>	<u>-</u>
Total assets		<u>73,026,813</u>	<u>82,804,232</u>
Liabilities			
Current liabilities			
Trade and other payables		834,637	1,348,973
Borrowings	<u>7</u>	19,112,407	19,512,407
Distributions payable		625,926	614,545
Revenue received in advance		315,960	258,957
Total current liabilities		<u>20,888,930</u>	<u>21,734,882</u>
Total liabilities		<u>20,888,930</u>	<u>21,734,882</u>
Net assets		<u>52,137,883</u>	<u>61,069,350</u>
Equity			
Issued capital	<u>8</u>	48,597,866	48,597,866
Retained earnings		<u>3,540,017</u>	<u>12,471,484</u>
Total Equity		<u>52,137,883</u>	<u>61,069,350</u>

Newmark Capital (Chadstone) Property Trust
Statement of changes in equity
For the half-year ended 31 December 2023

	Issued capital \$	Retained earnings \$	Total equity \$
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 unitholders in their capacity as unitholders:</i>			
Share buybacks (note 8)	(338,874)	-	(338,874)
Distributions declared	-	(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>
	Issued capital \$	Retained earnings \$	Total equity \$
Consolidated			
Balance at 1 July 2023	48,597,866	12,471,484	61,069,350
Loss for the half-year	-	(7,679,615)	(7,679,615)
Other comprehensive income for the half-year	-	-	-
Total comprehensive loss for the half-year	-	(7,679,615)	(7,679,615)
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distributions declared	-	(1,251,852)	(1,251,852)
Balance at 31 December 2023	<u>48,597,866</u>	<u>3,540,017</u>	<u>52,137,883</u>

Newmark Capital (Chadstone) Property Trust
Statement of cash flows
For the half-year ended 31 December 2023

	Note	31 Dec 2023	31 Dec 2022
		\$	\$
Cash flows from operating activities			
Rental and outgoings received (inclusive of GST)		3,795,378	3,252,248
Payments to suppliers (inclusive of GST)		(1,655,450)	(1,353,378)
Interest received		7,963	-
Interest and other finance costs paid		(577,098)	(354,215)
		<u>1,570,793</u>	<u>1,544,655</u>
Net cash from operating activities			
		<u>1,570,793</u>	<u>1,544,655</u>
Cash flows from investing activities			
Payments for capital improvements		(21,749)	(78,832)
		<u>(21,749)</u>	<u>(78,832)</u>
Net cash used in investing activities			
		<u>(21,749)</u>	<u>(78,832)</u>
Cash flows from financing activities			
Repayment of borrowings		(400,000)	-
Distributions paid		(1,240,471)	(1,635,426)
		<u>(1,640,471)</u>	<u>(1,635,426)</u>
Net cash from financing activities			
		<u>(1,640,471)</u>	<u>(1,635,426)</u>
Net decrease in cash and cash equivalents		(91,427)	(169,603)
Cash and cash equivalents at the beginning of the financial half-year		<u>573,949</u>	<u>939,389</u>
Cash and cash equivalents at the end of the financial half-year		<u>482,522</u>	<u>769,786</u>

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2023

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 Directors' 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 7 February 2024. The Responsible Entity has the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 financial statements of the Trust for the year ended 30 June 2023.

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.

There are Accounting Standards issued but not yet mandatory. No material impact is expected as a result of the adoption of these accounting standards. Disclosure impacts will be recognised in the year in which the Accounting Standards become mandatory.

Going Concern

The trust had a net working capital deficiency (current assets less current liabilities) of \$20,362,117 as at 31 December 2023.

The deficiency is predominantly due to the \$19.1 million intercompany loan from Newmark Hardware Trust ('NHT'). The financial statements have been prepared on a going concern basis given that the stapled group has a reasonable expectation that NHT's bank loans will be refinanced and the intercompany loan will not be called at any time up to 12 months from the date of the signing the interim report for the half-year ended 31 December 2023.

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 staples securities (ASX: NPR).

Comparative information

There were no changes to the comparative figures in the current reporting period.

Note 3. Operating segments

Identification of reportable operating segments

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

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2023

Note 3. Operating segments (continued)

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.

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 trust. 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 2023, external rental income generated was derived from the following tenants: Bunnings 42% (31 December 2022: 42%); E&S Trading 13% (31 December 2022: 13%); The Good Guys 10% (31 December 2022: 10%).

Note 4. Revenue

	31 Dec 2023 \$	31 Dec 2022 \$
Revenue and other income		
Property Income	3,277,586	3,192,487
Interest income	7,962	3,496
Revenue and other income	<u>3,285,548</u>	<u>3,195,983</u>

Note 5. Non-current assets classified as held for sale

	31 Dec 2023 \$	30 Jun 2023 \$
<i>Current assets</i>		
Non-current assets classified as held for sale	<u>-</u>	<u>82,000,000</u>

In June 2023, the Chadstone Property was marketed for sale. Following completion of the marketing campaign, no satisfactory offers were received. Subsequently the sale campaign concluded with the property being reclassified from non-current assets held for sale to investment property.

Note 6. Investment properties

	31 Dec 2023 \$	30 Jun 2023 \$
<i>Non-current assets</i>		
Investment properties - at fair value	<u>72,500,000</u>	<u>-</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:

	31 Dec 2023 \$	30 Jun 2023 \$
Opening fair value	-	82,000,000
Additions	21,749	730,905
Straight line rental adjustments	(122,125)	(127,499)
Fair value remeasurement	(9,399,624)	(603,406)
Transfer from/(to) non-current assets classified as held for sale (note 5)	<u>82,000,000</u>	<u>(82,000,000)</u>
Closing balance	<u>72,500,000</u>	<u>-</u>

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2023

Note 6. Investment properties (continued)

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 31 December 2023 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.

For further information on valuations, refer to note 9.

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 7.

Note 7. Borrowings

	31 Dec 2023	30 Jun 2023
	\$	\$
<i>Current liabilities</i>		
Loan - Newmark Hardware Trust	19,112,407	19,512,407
	<u>19,112,407</u>	<u>19,512,407</u>

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.

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

	31 Dec 2023	30 Jun 2023
	\$	\$
Non-current assets classified as held for sale (note 5)	-	82,000,000
Investment properties (note 6)	72,500,000	-
	<u>72,500,000</u>	<u>82,000,000</u>

Financing arrangements

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

	31 Dec 2023	30 Jun 2023
	\$	\$
Total facilities		
Newmark Hardware Trust	19,112,407	19,512,407
	<u>19,112,407</u>	<u>19,512,407</u>
Used at the reporting date		
Newmark Hardware Trust	19,112,407	19,512,407
	<u>19,112,407</u>	<u>19,512,407</u>
Unused at the reporting date		
Newmark Hardware Trust	-	-
	<u>-</u>	<u>-</u>

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2023

Note 8. Issued capital

	31 Dec 2023 Units	30 Jun 2023 Units	31 Dec 2023 \$	30 Jun 2023 \$
Stapled securities - fully paid	<u>177,819,763</u>	<u>177,819,763</u>	<u>48,597,866</u>	<u>48,597,866</u>
	<u>177,819,763</u>	<u>177,819,763</u>	<u>48,597,866</u>	<u>48,597,866</u>

Movements in ordinary unit capital

Details	Date	Units	\$
Balance	1 July 2023	177,819,763	48,597,866
Share buybacks	1 July 2023 – 31 December 2023	<u>-</u>	<u>-</u>
Balance	31 December 2023	<u>177,819,763</u>	<u>48,597,866</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).

On-market buy-back

Newmark Property REIT commenced an on-market buy-back of its stapled securities on 16 August 2022. On 20 December 2023, the buy-back concluded with no stapled securities transacted within this half year.

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 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment properties at fair value	<u>-</u>	<u>-</u>	<u>72,500,000</u>	<u>72,500,000</u>
Total assets	<u>-</u>	<u>-</u>	<u>72,500,000</u>	<u>72,500,000</u>

30 Jun 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Non-current assets classified as held for sale	<u>-</u>	<u>-</u>	<u>82,000,000</u>	<u>82,000,000</u>
Total assets	<u>-</u>	<u>-</u>	<u>82,000,000</u>	<u>82,000,000</u>

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2023

Note 9. Fair value measurement (continued)

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

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

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

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

A valuation of the Chadstone Homeplus Homemaker Centre was obtained on 31 December 2023 from an independent valuer, being a member of the Australian Property Institute and having adequate experience in the location and category of investment property being valued.

The basis of the valuation of investment properties is fair value. The scheme documents of 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 and returns on investment. 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 and other comprehensive income for the period, and movement in carrying values for the reporting period, refer to note 6.

Level 3 assets and liabilities

The unobservable inputs and sensitivities relating to the valuation of level 3 assets and liabilities are as follows:

Description	Unobservable inputs	31 Dec 2023	30 Jun 2023
Investment property	(i) Capitalisation rate	7.25%	6.50%
	(ii) Discount rate	7.75%	7.25%
	(iii) Terminal yield	7.50%	6.75%
	(iv) Rental growth	3.00%	3.00%

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 2023 \$	30 Jun 2023 \$
Capitalisation rate movement - increase/(decrease)	minus 50 bps	5,200,000	6,823,492
	minus 25 bps	2,000,000	3,260,352
	plus 25 bps	(3,000,000)	(3,073,909)
	plus 50 bps	(4,800,000)	(5,901,605)

Note 10. Key management personnel disclosures

Responsible Entity

The following persons were key management personnel ('KMP') of the Responsible Entity of Newmark Capital (Chadstone) Property Trust during the financial half-year:

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
Peter Hulbert	Company Secretary

Note 10. Key management personnel disclosures (continued)

Remuneration of KMP is paid directly by the Responsible Entity and its related parties. KMP are not provided with any remuneration by the Trust itself and are not entitled to any equity interests, or options over equity interests, in the Trust.

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 KMP or their personally related entities at any time during the reporting period.

Refer to note 11 for further information on related party transactions.

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

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 18.56% of the capital of Newmark Property REIT.

Key management personnel

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

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2023

Note 11. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	31 Dec 2023	31 Dec 2022
	\$	\$
Payment for services:		
The following payments were made to Newmark REIT Management Ltd as Responsible Entity		
- Management fees	248,312	243,852
- Compliance fees	9,068	16,800
	<u>257,380</u>	<u>260,652</u>
The following payments were made to Newmark Operations Pty Ltd		
- Investor relation fees	3,150	2,500
- Legal fees	9,983	22,500
	<u>13,133</u>	<u>25,000</u>
The following payments were made to Newmark Property Funds Management Pty Ltd as Investment Manager		
- Reimbursed expenses	51,009	43,669
	<u>51,009</u>	<u>43,669</u>
The following payments were made to Newmark Asset Management Pty Ltd as Property Manager		
- Property management fee	12,438	11,845
	<u>12,438</u>	<u>11,845</u>

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 2023	30 Jun 2023
	\$	\$
Current payables:		
Loan from controlling entity (Newmark Hardware Trust) - non-interest bearing	672,930	672,930
Loan from controlling entity (Newmark Hardware Trust) - financing (note 7)	19,112,407	19,512,407

The operating balance is repayable at call/demand and bears no interest.

The Financing Loan from NHT has an applicable interest rate as determined in the syndicated facility agreement entered into by Newmark REIT Management as responsible entity for Newmark Hardware Trust. The loan is classified as current as Newmark Hardware Trust is required to refinance it's loan by 15 December 2024.

Stapled security holdings by directors

	Stapled securities held
Director	
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 transactions were made on normal commercial terms and conditions and at market rates.

Newmark Capital (Chadstone) Property Trust
Notes to the financial statements
31 December 2023

Note 12. Earnings per unit

	31 Dec 2023	31 Dec 2022
	\$	\$
Profit/(loss) attributable to the unitholders of Newmark Capital (Chadstone) Property Trust	<u>(7,679,615)</u>	<u>1,686,798</u>
	Number	Number
Weighted average number of ordinary units used in calculating basic earnings per unit and diluted earnings per unit	<u>177,819,763</u>	<u>181,164,345</u>
	Cents	Cents
Basic earnings per unit	(4.32)	0.93
Diluted earnings per unit	(4.32)	0.93

Note 13. Events after the reporting period

Proposal to merge Newmark Property REIT with BWP Trust

On 24 January 2024, the Responsible Entity announced that it entered into a Bid Implementation Deed ('BID') with BWP Management Limited ('BWPML') as responsible entity for BWP Trust ('BWP'), under which BWP will make an off-market takeover offer to acquire 100% of NPR's securities, subject to satisfaction of the conditions contemplated by the BID ('Proposal').

Under the Proposal, NPR securityholders will be offered 0.40 BWP units per NPR security ('Consideration').

The implied value of the Consideration is \$1.39 per NPR security based on the closing price of BWP of \$3.47 per unit on 23 January 2024, which reflects a:

- 43.1% premium to the closing price of NPR securities of \$0.97 on 23 January 2024;
- 41.9% premium to the 1-month VWAP of NPR securities of \$0.98 on 23 January 2024; and
- 41.2% premium to the 3-month VWAP of NPR securities of \$0.99 on 23 January 2024.

The pro forma NTA of BWP and NPR is \$3.75. The Proposal represents an 11% dilution of NPR's NTA as at 31 December 2023 of \$1.68.

NPR securityholders will retain entitlement to the December 2023 quarterly NPR distribution of 1.9 cents per security. NPR has agreed under the BID not to pay a March 2024 quarterly distribution. NPR securityholders that accept into the Proposal will be entitled to BWP's distribution for the 6 months ending 30 June 2024, which is expected to be 9.27 cents per BWP unit, if the Proposal has become unconditional. BWP units to be issued to NPR securityholders under the Proposal will rank equally with all other existing BWP units.

Background to the Proposal

On 19 December 2023, NPR received an unsolicited, confidential, conditional, non-binding indicative offer from BWP to acquire 100% of NPR securities for 0.3675 BWP units per NPR security (NBIO). The NPR Board established an IBC comprising the Independent Directors, Michael Doble, Melinda Snowden and Andrew Erikson. The IBC, in conjunction with NPR's advisers, assessed the NBIO, and following an increase in the proposed consideration to 0.40 BWP units per NPR security, determined to grant BWP a period of exclusive confirmatory due diligence in order to advance the Proposal, including negotiation of the BID.

Note 13. Events after the reporting period (continued)

IBC Unanimously Recommends the Proposal

The members of the IBC have unanimously recommended that NPR securityholders accept the Proposal, once the offer period opens, in the absence of a superior proposal. In addition, each member of the IBC intends to accept the Proposal in respect of all NPR securities they hold or control, in the absence of a superior proposal.

The IBC has carefully considered the options available to NPR to maximise securityholder value, including continuing NPR's strategy as a standalone entity, or the sale of all properties and winding-up of the trusts. The IBC believes the scrip consideration contemplated by the Proposal, which would provide the opportunity to participate in the merged group, represents a highly attractive proposition, including for the following reasons:

- material 43.1% premium to NPR's closing price on 23 January 2024;
- continued exposure for securityholders to a high quality and complementary portfolio, with income predominantly derived from Bunnings leases;
- significant increase in portfolio scale, with a combined portfolio size of approximately \$3.5 billion;
- significant increase in market capitalisation and liquidity, with a combined market capitalisation of approximately \$2.5 billion and inclusion in the S&P/ASX200 index;
- reduction in gearing from approximately 47% to approximately 23%;
- improved growth prospects, with an increased proportion of CPI reviews for portfolio leases; and
- enhanced credit profile, diversification of sources of debt and improved cost of capital.

Conditions of the Proposal

The takeover offer under the Proposal will be conditional upon a number of matters contemplated by the BID, including a 50.1% minimum acceptance condition as well as other customary conditions.

At any time from when the offer period opens to when the offer period closes ('Offer Period'), BWP may choose to waive certain conditions of the Proposal, declare the Proposal unconditional and/or extend the Offer Period.

A Bidder's Statement and Target Statement in respect of the Proposal are expected to be issued on or about 7 February 2024.

Newmark Group Transactions in relation to NPR

The Responsible Entity has been informed that its parent company, Newmark Property Group Pty Ltd ('Newmark Group') has entered into a Sale and Purchase Agreement ('SPA') with BWPMML in relation to the acquisition of the Responsible Entity, conditional on the Proposal being declared unconditional. The SPA also provides for certain services to be provided by Newmark Group to effect the orderly transition of management and associated services

Additionally, Newmark Group, the Responsible Entity and other entities controlled by Newmark Group and its directors, shareholders and affiliated entities, (together, the 'Selling Entities') have entered into a pre-bid acceptance agreement with BWPMML, in which the Selling Entities, that together control over 32.6 million NPR securities, representing 18.3% of NPR's total securities outstanding, have agreed to accept into the Proposal during the Offer Period, subject to certain conditions (the 'Pre-bid Acceptance Agreement').

Other than the matters disclosed in this half year financial report, no other matter or circumstance has arisen since 31 December 2023 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.

Newmark Capital (Chadstone) Property Trust

Directors' declaration

31 December 2023

In the directors' opinion:

- the attached financial statements and notes of Newmark Property REIT (representing the registered managed investment schemes of Newmark Hardware Trust (ASRN 161 274 111) and Newmark Capital (Chadstone) Property Trust (ARSN 648 280 219)) comply with the *Corporations Act 2001*, Australian Accounting Standards 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 2023 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 scheme's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- 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 directors of the Responsible Entity made pursuant to section 303(5)(a) of the *Corporations Act 2001*.



Michael Doble
Chairperson

7 February 2024
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 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, material accounting policy information 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 2023, 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, material accounting policy information 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 reports of the Stapled Group and NCP do 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 2023 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 financial reports 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 Reports

The directors of the Responsible Entity are responsible for the preparation of the half-year financial reports 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 reports 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 Reports

Our responsibility is to express a conclusion on the half-year financial reports 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 reports are 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 2023 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 Audit

Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 7 February 2024