

2019 ANNUAL REPORT





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Further information can be found online at:
www.arena.com.au

ABOUT THIS REPORT

The financial statements in this report cover Arena REIT (the 'Group') comprising Arena REIT Limited, Arena REIT No. 1, Arena REIT No. 2, and their controlled entities. The financial statements are presented in Australian currency.

The Responsible Entity of Arena REIT No.1 and Arena REIT No.2 (the 'Trusts') is Arena REIT Management Limited (ACN 600 069 761, AFSL 465754).



IMPORTANT NOTICE

This report has been prepared by Arena REIT (Arena) comprising Arena REIT Limited (ACN 602 365 186), Arena REIT Management Limited (ACN 600 069 761 AFSL No. 465754) as responsible entity of Arena REIT No.1 (ARSN 106 891 641) and Arena REIT No.2 (ARSN 101 067 878). The information contained in this report is current only as at the date of this report or as otherwise stated herein. This report may not be reproduced or distributed without Arena's prior written consent. The information contained in this report is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Arena has not considered the investment objectives, financial circumstances or particular needs of any particular recipient. You should consider your own financial situation, objectives and needs, conduct an independent investigation of, and if necessary obtain professional advice in relation to, this report. Past performance is not an indicator or guarantee of future performance.

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This report contains forward-looking statements including certain forecast financial information. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "upside", "likely", "intend", "should", "could", "may", "target", "plan", and other similar expressions are intended to identify forward-looking statements. The forward-looking statements are made only as at the date of this announcement and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Arena and its directors. Such statements are not guarantees of future performance and actual results may differ materially from anticipated result, performance or achievements expressed or implied by the forward-looking statements. Other than as required by law, although they believe there is a reasonable basis for the forward-looking statements, neither Arena nor any other person (including any director, officer, or employee of Arena or any related body corporate) gives any representation, assurance or guarantee (express or implied) as to the accuracy or completeness of each forward-looking statement or that the occurrence of any event, result, performance or achievement will actually occur. You should not place undue reliance on any of the forward-looking statements.



FY19 HIGHLIGHTS

Arena REIT is an ASX300 listed group that owns, manages and develops social infrastructure property across Australia.

Our objective is to deliver an attractive and predictable distribution to investors with earnings growth prospects over the medium to long term.



\$59.3m

Statutory Net Profit
Down 8% on FY18

\$37.7m

Net Operating Profit
Up 9% on FY18

13.8¢

Earnings per security (EPS)
Up 5.3% on FY18

13.5¢

Distributions per security (DPS)
Up 5.5% on FY18

\$825.7m

Total assets
Up 14% on 30 June 2018

\$2.10

Net Asset Value (NAV) per security
Up 7% on 30 June 2018

3.6%

Average like-for-like
rental growth

\$32.4m

Revaluation uplift
4.6% increase in value

14.1 yrs

Weighted average lease
expiry (WALE)

\$72m

Acquisitions and
development
completions in FY19

\$798m

Market Capitalisation
As at 30 June 2019

25%

Per annum, five year total
ASX return performance

22.8%

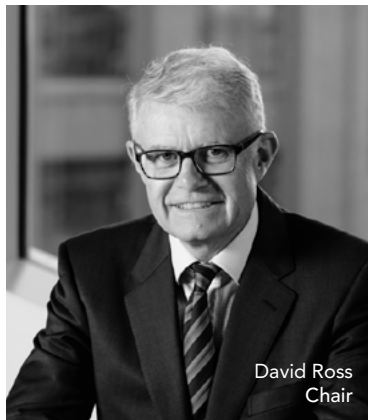
Gearing
3.3 years average facility term

82%

Interest rate hedge cover
4.8 years weighted average
hedge term



CHAIR AND MANAGING DIRECTOR'S REPORT



David Ross
Chair



Rob de Vos
Managing Director

We are pleased to report that Arena continues to execute on its strategy and has achieved another year of strong financial and operational results for our securityholders.

Arena has produced strong earnings and capital growth, successfully delivered development completions, replenished the development pipeline, reduced gearing and increased the average duration of its leases with its tenant partners during financial year 2019 (FY19).

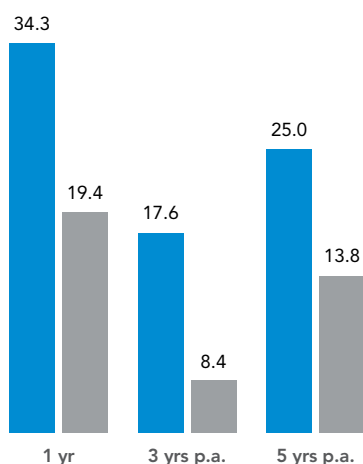
These positive outcomes are a result of the quality of Arena's property portfolio, the proactive approach of Arena's management team and the strong macro-economic themes that support investment in social infrastructure property. It is also an endorsement of Arena's disciplined strategy and ability to deliver against our investment objectives.

Arena has delivered a one year ASX total return of 34.3% and five year ASX total return of 25% per annum to 30 June 2019¹.

FINANCIAL RESULTS

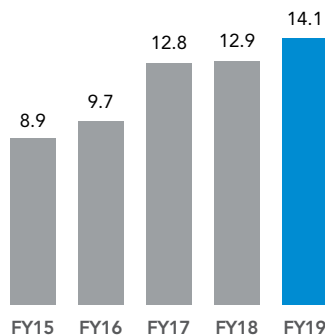
Arena's net operating profit increased by 8.7% to \$37.7 million in FY19.

Key contributors to the result were rental income growth from annual rent reviews and income from acquisitions and development projects completed in financial year 2018 (FY18) and FY19. This result represents distributable income (earnings) per security (EPS) of 13.8 cents, an increase of 5.3% over the prior year. Arena has paid a full-year distribution of 13.5 cents per security, an increase of 5.5% on the prior year. Statutory net profit for the year was \$59.3 million, 7.9% lower than the prior year, primarily due to the negative revaluation of interest rate hedges during the year.

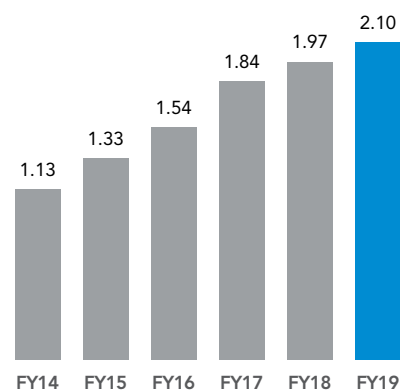


ASX total return performance¹
To 30 June 2019 (%)

● Arena REIT
● ASX300 A-REIT Accumulation Index



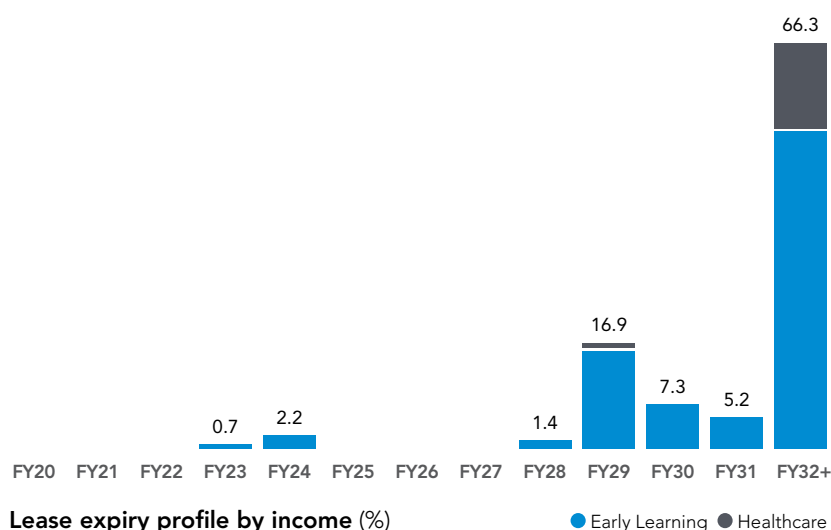
Portfolio WALE (years)



NAV per security (\$)

1. UBS, UBS Australian REIT month in review, June 2019; ASX total return includes security price growth and reinvestment of distributions.

“We remain focused on selective new investments that deliver predictable earnings and earnings growth prospects while maintaining our investment discipline.”



Arena’s total assets increased by 13.8% to \$825.7 million as a result of acquisitions, development capital expenditure and the positive revaluation of the portfolio. The revaluation uplift was the primary contributor to the 7% increase in net asset value (NAV) per security to \$2.10 at 30 June 2019.

PORTFOLIO OVERVIEW

Portfolio composition

At 30 June 2019, Arena’s property portfolio comprised 216 early learning centre (ELC) properties and development sites (85% of portfolio by value) and 10 healthcare properties (15% of portfolio by value). The portfolio is 100% occupied.

Acquisition of specialist disability accommodation portfolio

During the year Arena acquired a \$24 million portfolio of three specialist disability accommodation (SDA) properties in metropolitan Adelaide, all leased to SACARE, a leading provider of disability care and rehabilitation services in South Australia.

The acquisition of SDA properties is consistent with Arena’s strategy to grow and diversify its existing healthcare portfolio and further diversify its portfolio of social infrastructure property. The quality of the assets, our tenant partner and the underlying demand for the services they provide are demonstrative of the characteristics Arena seeks when considering such opportunities.

Partnership approach to healthcare portfolio lease extension

Arena’s healthcare portfolio leases with Healius were extended from an average of 4 years to 14.6 years during FY19 with the expiries on the initial lease terms now staggered from FY29 to FY36.

Average annual rental growth of 3.6%

Annual rent reviews across the portfolio have recorded an average like-for-like rental increase of 3.6%. Key contributors to this result were 39 market rent reviews completed during FY19 at an average increase of 9.4%².

Weighted average lease expiry increased to 14.1 years

Throughout the year the portfolio’s weighted average lease expiry (WALE) was extended from 12.9 years at 30 June 2018 to 14.1 years. The primary drivers of this extension were the renegotiation of leases over the Healius portfolio, property acquisitions and ELC development completions.

Arena now has less than 3% of portfolio income subject to expiry over the next eight years.

Portfolio revaluation uplift of \$32.4 million

A revaluation uplift of \$32.4 million was recorded across Arena’s portfolio, equivalent to an increase of 4.6%. The portfolio’s weighted average passing yield firmed 14 basis points to 6.38%.

ELC acquisitions and development completions

Arena acquired five operating ELC properties during FY19 at a net initial yield on cost of 6.7% and average initial lease term of 19 years. Four ELC development projects were completed during FY19 at a net initial yield on cost of 6.4% all on new 20 year leases.

2. Ten market rent reviews scheduled for FY19 had not been agreed as at 30 June 2019.

CHAIR AND MANAGING DIRECTOR'S REPORT

CONTINUED

Development pipeline of \$50 million

Arena acquired eight new ELC development projects during FY19 taking the current development pipeline to nine ELC projects with a forecast total cost of \$50 million and an anticipated weighted average initial yield on cost of 6.7%.

CAPITAL MANAGEMENT

Low risk funding profile

Arena raised \$50 million via a fully underwritten institutional placement in May 2019 and a further \$16.4 million via a security purchase plan in July 2019. An additional \$6.5 million was raised

via the dividend and distribution reinvestment plan (DRP) during FY19, which remains open.

Increase in debt facility limit

Arena increased its total debt facility limit to \$280 million through the establishment of an additional \$50 million facility during FY19. Arena's weighted average cost of debt fell to 3.65% as at 30 June 2019 compared with 3.85% as at 30 June 2018.

Capacity to fund new investment opportunities

At 30 June 2019, Arena's balance sheet debt gearing was 22.8%, compared with 24.7% at 30 June 2018 with undrawn debt capacity of \$91.5 million as at balance

date to fund development capital expenditure and potential new investments.

Financial year 2020 (FY20) distribution guidance

Arena has provided FY20 distribution per security (DPS) guidance of 14.3 cents per security³ reflecting growth of 5.9% over last year.

CORPORATE GOVERNANCE

During FY19, Arena announced the retirement of Bryce Mitchelson and the appointment of his successor Rob de Vos (formerly Arena's Head of Property) as the new Chief Executive Officer and Managing

PORTFOLIO VALUATIONS

	Number of assets	30 June 2019 valuation	Net valuation movement	30 June 2019 passing yield	Change
	No.	\$m	\$m	%	bps
ELC portfolio	216	676.2	21.6	3.5	(2)
Healthcare portfolio	10	122.1	10.8	12.7	(77)
Total portfolio	226	798.3	32.4	4.6	(14)

ACQUISITIONS AND DEVELOPMENT COMPLETIONS

	Number of properties	Total cost	Initial yield on cost	Initial lease terms
	No.	\$m	%	years
Operating ELC acquisitions	5	23.0	6.7	19.0
Operating healthcare acquisitions	3	24.0	6.0	15.0
ELC development completions	4	25.0	6.4	20.0
Total/weighted average	12	72.0	6.4	18.1

3. Estimated on a status quo basis assuming no new acquisitions or disposals, developments in progress are completed in line with forecast assumptions, and tenants comply with their lease obligations.

Director. We would like to thank Bryce for his leadership of Arena and acknowledge his passion for the business and substantial contribution to the strong performance of Arena since its ASX listing in June 2013. Bryce retires after close to 10 years with Arena and its predecessor business and we wish him all the best.

Arena also recently welcomed Ms Rosemary Hartnett as a new non-executive director. Rosemary is currently the independent chair of IPST and has more than 30 years' experience in the Australian property sector, including extensive senior management experience in property finance, funds management, investment and social enterprise. Rosemary will make a valuable contribution to Arena and her broad experience will complement the Board's existing mix of skills and experience.

OUTLOOK

Arena's outlook is positive and our portfolio remains in a strong position, supported by:

- › 100% occupancy;
- › long term predominantly triple net leases with minimum annual rent escalations;
- › market rent reviews scheduled for FY20 and financial year 2021;
- › annualisation of FY19 development completions; and
- › debt capacity to execute on selective new investment opportunities.

Demand for high quality and well located early learning and healthcare property continues to be underpinned by growing community demand and supportive domestic macro-economic trends including:

- › actual and projected population growth⁴;
- › record and growing female workplace participation rate⁵;
- › strong long day care participation rate⁶;
- › improved affordability for early learning from the federal government's Child Care Subsidy (CCS)⁷; and
- › aging population and increased prevalence of chronic health conditions⁸.

Arena remains focused on maximising the quality of its portfolio and sees opportunities to enhance existing properties for increased return, to acquire and develop new high quality assets and sell assets that no longer meet our investment criteria.

Arena's management team has specialist asset management and development expertise and a strong track record that includes the successful delivery of 37 development projects over the past seven years at a total cost of \$170 million.

Arena continues to differentiate its brand in the marketplace through a partnership approach, working collaboratively with our tenants and business partners.

In closing, we are pleased to confirm that Arena is well placed to continue to deliver on its investment objective – to generate attractive and predictable distributions to investors with earnings growth prospects over the medium to long term.

On behalf of the Board we would like to thank our investors, tenants and business partners for their ongoing support, and the Arena team for their ongoing commitment and contribution to Arena's performance.

We encourage you to join us for our Annual General Meeting on 22 November 2019 to meet the Board and management team.

We will continue to work hard for our securityholders and look forward to reporting to you in FY20.

Yours sincerely,



David Ross,
Chair



Rob de Vos,
Managing Director

4. ABS Australian Demographic Statistics.

5. ABS Female Labour Force Participation Rate (aged 20-74 at least one dependent child of ELC age).

6. Australian Government 'Early Childhood and Child Care in Summary' Reports 2012-2018.

7. Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2019.

8. ABS National Health Survey.



PORTFOLIO SUMMARY

AS AT 30 JUNE 2019

Arena's portfolio of social infrastructure properties is leased to a diversified tenant base in the early learning and healthcare sectors.

226

Total properties

- 210 Early Learning Centres
- 10 Healthcare
- 6 development sites

\$798.3m

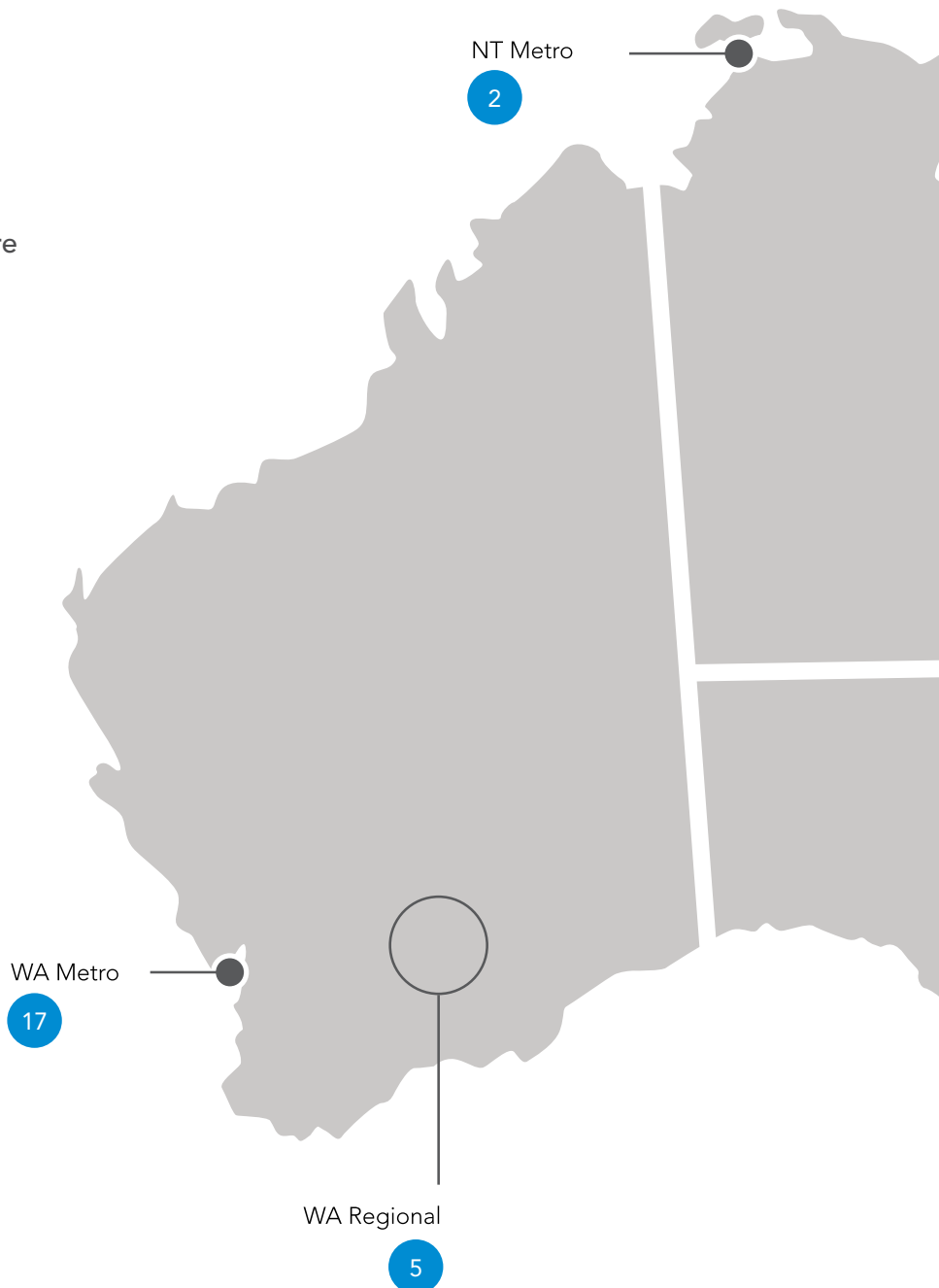
Total portfolio value

- \$676.2m Early Learning Centres
- \$122.1m Healthcare

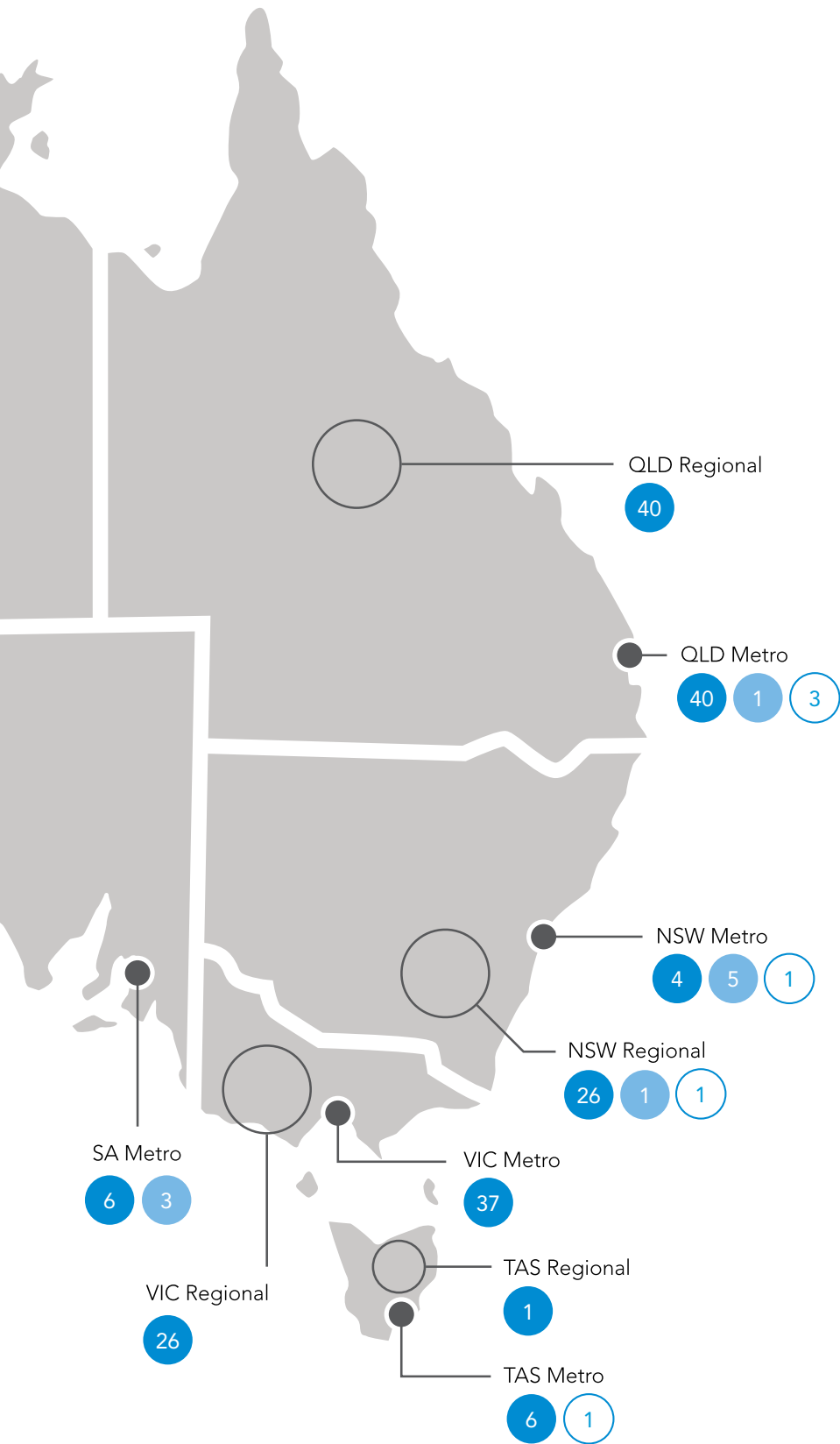
14.1 yrs

WALE

- 14.1 years Early Learning Centres
- 14.2 years Healthcare

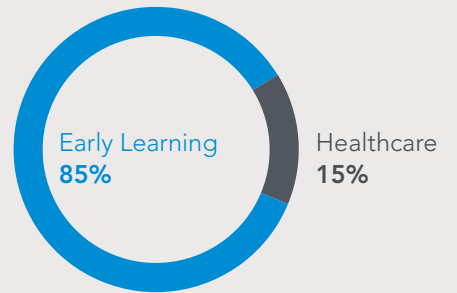


- Early Learning Centres (210 properties)
- Healthcare (10 properties)
- ELC development sites (6 properties)



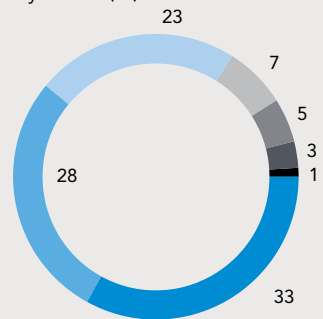
Sector Diversification

By value (%)



Geographic Diversification

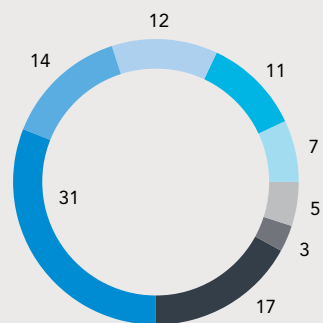
By value (%)



- Queensland
- Victoria
- New South Wales
- Western Australia
- South Australia
- Tasmania
- Northern Territory

Tenant Diversification

By income (%)



- Goodstart Early Learning
- Green Leaves
- Healius
- Affinity Education
- G8 Education
- Petit Early Learning
- Oxanda Education
- Other



CORPORATE GOVERNANCE

The board of directors for Arena REIT Limited and Arena REIT Management Limited work together and take a coordinated approach to corporate governance.

Each Board has a Board Charter which details the composition, responsibilities, and protocols of the Board. In addition, the Boards have a Code of Conduct which sets out the standard of business practices required of directors and staff.

Arena conducts its business in accordance with these charters and codes, as well as other key policies which are published on its website. These include:

- > Communications Policy;
- > Continuous Disclosure Policy;
- > Diversity Policy;
- > Privacy Policy;
- > Securities Trading Policy;
- > Summary of Risk Management Framework.

In compliance with ASX Listing Rule 4.10.3, Arena has also published on its website a statement disclosing the extent to which Arena has followed the recommendations for good corporate governance set by the ASX Corporate Governance Council (Corporate Governance Principals and Recommendations 3rd Edition) during the reporting period.



View Arena's key policies and the full Corporate Governance Statement for the 2019 Financial Year at:
www.arena.com.au/about/governance



ARENA REIT

2019 FINANCIAL REPORT

FOR THE YEAR ENDED
30 JUNE 2019





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ABOUT THIS REPORT

These financial statements cover Arena REIT (the 'Group') comprising Arena REIT No. 1, Arena REIT No. 2, Arena REIT Limited, and their controlled entities. The financial statements are presented in Australian currency.

The Responsible Entity of Arena REIT No. 1 and Arena REIT No. 2 (the 'Trusts') is Arena REIT Management Limited (ACN 600069761). The Responsible Entity's registered office is:

Level 5, 41 Exhibition Street
Melbourne VIC 3000



DIRECTORS' REPORT

DIRECTORS' REPORT

The directors of Arena REIT Limited ('ARL') and Arena REIT Management Limited ('ARML'), the Responsible Entity of Arena REIT No. 1 and Arena REIT No. 2 (the 'Trusts'), present their report together with the financial statements of Arena REIT for the year ended 30 June 2019. The financial report covers ARL, Arena REIT No. 1 ('ARF1'), Arena REIT No. 2 ('ARF2'), and their controlled entities.

ARF1, ARF2 and ARL are separate entities for which the units and shares have been stapled together to enable trading as one security. The units of ARF1, ARF2 and shares of ARL cannot be traded separately. None of the stapled entities controls any of the other stapled entities, however for the purposes of statutory financial reporting the entities form a consolidated group.

DIRECTORS

The following persons held office as directors of ARL during the financial year and up to the date of this report:

- › David Ross (Chairman) (Independent, non-executive)
- › Simon Parsons (Independent, non-executive)
- › Dennis Wildenburg (Independent, non-executive)
- › Bryce Mitchelson (Executive) (retired from his executive position and resigned from the board on 19 February 2019)
- › Rob de Vos (Executive) (appointed 19 February 2019)

The following persons held office as directors of ARML during the financial year and up to the date of this report:

- › David Ross (Chairman) (Independent, non-executive)
- › Simon Parsons (Independent, non-executive)
- › Dennis Wildenburg (Independent, non-executive)
- › Bryce Mitchelson (Executive) (retired from his executive position and resigned from the board on 19 February 2019)
- › Rob de Vos (Executive) (appointed 19 February 2019)
- › Gareth Winter (Executive)

PRINCIPAL ACTIVITIES

Arena REIT invests in a portfolio of investment properties and is listed on the Australian Securities Exchange under the code ARF.

There were no changes in the principal activities of the Group during the year.

DISTRIBUTIONS TO SECURITYHOLDERS

The following table details the distributions to securityholders declared during the financial year:

	2019	2018	2019	2018
	\$'000	\$'000	cps	cps
September quarter	9,138	8,570	3.375	3.200
December quarter	9,157	8,583	3.375	3.200
March quarter	9,179	8,600	3.375	3.200
June quarter	9,832	8,619	3.375	3.200
Total distributions to securityholders	37,306	34,372	13.500	12.800

DIRECTORS' REPORT

CONTINUED

OPERATING AND FINANCIAL REVIEW

The Group operates with the aim of generating attractive and predictable distributions for securityholders with earnings growth prospects over the medium to long term.

The Group's strategy is to invest in property underpinned by relatively long leases and in sectors with supportive macro-economic trends. The Group will consider investment in sectors with the required characteristics, which may include:

- › Early learning / child care services;
- › Healthcare - including medical centres, diagnostic facilities, hospitals, aged care and associated facilities;
- › Education - including schools, colleges and universities and associated facilities.

KEY FINANCIAL METRICS

	30 June 2019	30 June 2018	Change
Net profit (statutory)	\$59.3 million	\$64.4 million	- 8%
Net operating profit (distributable income)	\$37.7 million	\$34.7 million	+ 9%
Distributable income per security	13.8 cents	13.1 cents	+ 5%
Distributions per security	13.5 cents	12.8 cents	+ 5%
<hr/>			
Total assets	\$825.7 million	\$725.8 million	+ 14%
Investment properties	\$798.3 million	\$699.4 million	+ 14%
Borrowings	\$188.5 million	\$179.5 million	+ 5%
Net assets	\$610.3 million	\$531.6 million	+ 15%
NAV per security	\$2.10	\$1.97	+ 7%
Gearing *	22.8%	24.7%	- 190 bps

* Gearing calculated as Borrowings / Total assets

FY19 HIGHLIGHTS

- › Net statutory profit was \$59.3 million, down 8% on the prior year. This is primarily due to the revaluation of interest rate hedge derivatives compared to the prior year (FY19: \$8.6 million; FY18: \$0.6 million);
- › Net operating profit was \$37.7 million, up 9% on the previous year;
- › Distributions for the year were 13.5 cents per security, up 5.5% on the prior year;
- › NAV per security at 30 June 2019 was \$2.10, an increase of 7% on 30 June 2018. This was primarily due to an increase in the value of investment property, offset by the revaluation of derivatives;
- › Gearing was 22.8% at 30 June 2019, down from 24.7% at 30 June 2018;
- › The Group completed a fully underwritten Institutional Placement in May 2019, raising \$50 million through the issue of 18.7 million securities;
- › In December 2018, the Group extended the lease term on six healthcare properties leased to Healius Limited (formerly Primary Health Care Limited) for further terms ranging from 10-14 years beyond the previous expiry date. The lease extensions have contributed to an increase in the portfolio WALE to 14.1 years as at 30 June 2019 (30 June 2018: 12.9 years); and
- › The property portfolio increased with the addition of five Early Learning Centre ('ELC') development sites, five operational ELCs, and three specialised disability accommodation properties. During the year, four ELC developments were completed and leases commenced.

FY19 HIGHLIGHTS CONTINUED

Financial results	30 June 2019	30 June 2018
	\$'000	\$'000
Property income	48,744	42,673
Other income	583	770
Total operating income	49,327	43,443
Property expenses	(360)	(377)
Operating expenses	(3,937)	(3,493)
Finance costs	(7,337)	(4,883)
Net operating profit (distributable income)*	37,693	34,690
Non-distributable items:		
Investment property revaluation and straight-lining of rent	32,362	31,591
Change in fair value of derivatives	(8,619)	(553)
Profit/(loss) on sale of investment properties	(223)	30
Transaction costs	(474)	(566)
Amortisation of equity-based remuneration (non-cash)	(1,169)	(830)
Other	(247)	70
Statutory net profit	59,323	64,432

* Net operating profit (distributable income) is not a statutory measure of profit

FINANCIAL RESULTS SUMMARY

	30 June 2019	30 June 2018
Net operating profit (distributable income) (\$'000)	37,693	34,690
Weighted average number of ordinary securities ('000)	273,055	264,878
Distributable income per security (cents)	13.80	13.10

- Net operating profit is the measure used to determine securityholder distributions and represents the underlying cash-based profit of the Group for the relevant period. Net operating profit excludes fair value changes from asset and derivative revaluations and items of income or expense not representative of the Group's underlying operating earnings or cash flow.
- The increase in net operating profit during the year is primarily due to:
 - Ongoing fixed annual rent increases and market rent reviews on the Group's property portfolio;
 - Commencement of rental income from the four ELC developments completed during the year;
 - Commencement of rental income following the acquisition of five operational ELCs and three specialised disability accommodation properties during the year; and
 - The full year effect of acquisitions and developments completed during FY18.
- Non-distributable items primarily decreased due to the greater loss on revaluation of derivatives compared to the prior year.

DIRECTORS' REPORT

CONTINUED

INVESTMENT PROPERTY PORTFOLIO

Key property metrics

	30 June 2019	30 June 2018
Total value of investment properties	\$798.3 million	\$699.4 million
Number of properties under lease	220	209
Development sites	6	5
Properties available for lease or sale	–	–
Total properties in portfolio	226	214
Portfolio occupancy	100%	100%
Weighted average lease expiry (WALE)	14.1 years	12.9 years

- › The increase in the value of investment properties is primarily due to the addition of:
 - Property acquisition, development and capital expenditure of \$70.9 million; and
 - A net revaluation increment to the portfolio of \$32.4 million for the year, inclusive of straight-lining of rent accrual.
- › Offset by the following investment property disposals during the year:
 - One operating ELC was sold during the year with sale proceeds of \$4.3 million.

CAPITAL MANAGEMENT

Equity

- › During the year, 2.74 million securities were issued at an average price of \$2.38 to raise \$6.5 million of equity pursuant to the Distribution Re-investment Plan (DRP);
- › On 27 May 2019, 18,726,592 securities were issued at a price of \$2.67 following the completion of a fully underwritten placement to institutional and professional investors;
- › A Security Purchase Plan (SPP) was offered in June 2019 to eligible investors, in conjunction with the Institutional Placement.

Bank facilities & gearing

- › The Group refinanced its syndicated debt facility during the year, increasing the facility limit by \$50 million to \$280 million. The Group's debt facility now comprises a \$130 million facility expiring 31 March 2022 and a \$150 million facility expiring 31 March 2023, providing a remaining weighted average term of 3.3 years as at 30 June 2019;
- › The balance drawn increased by \$9 million to fund acquisitions and development capital expenditure, offset by Institutional Placement proceeds;
- › Gearing was 22.8% at 30 June 2019 (30 June 2018: 24.7%);
- › The Group was fully compliant with all bank facility covenants throughout FY19 and as at 30 June 2019. At 30 June 2019 the Loan to Valuation Ratio was 24.8% (Covenant: 50%) and the Interest Cover Ratio was 5.5 times (Covenant: 2.0 times).

Interest rate management

- › As at 30 June 2019, 82% of Arena REIT borrowings are hedged for a weighted average term of 4.8 years (2018: 78% for 5.9 years). The average swap fixed rate at 30 June 2019 is 2.42% (2018: 2.44%).

FY20 OUTLOOK

The Group has provided FY20 distribution guidance of 14.3 cents per security, which represents an increase of 5.9% on FY19.

The distribution outlook assumes a status quo basis, with no new acquisitions or disposals, developments in progress are completed in line with budget assumptions and tenants comply with their lease obligations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, other than the matters identified in this report, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In conjunction with the Institutional Placement, the Group offered a Security Purchase Plan (SPP) to eligible investors in June 2019. \$16.37 million was raised through the issue of 6.2 million securities on 1 July 2019.

Other than the matter identified above, no other significant events have occurred since 30 June 2019 that have affected, or may significantly affect:

- (i) the operations of the Group in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group will continue to be managed in accordance with its existing investment objectives and guidelines.

The results of the Group's operations will be affected by a number of factors, including the performance of investment markets in which the Group invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

MATERIAL BUSINESS RISKS

The material business risks that could adversely affect the achievement of the Group's financial prospects are as follows. The Responsible Entity has in place a Risk Management Policy and Framework under which it identifies, assesses, monitors and manages these risks.

Concentration risk

The Group's property portfolio is presently 85% invested in ELCs and ELC development sites and 15% in healthcare assets. Adverse events to the early learning sector or healthcare sector may result in a general deterioration of tenants' ability to meet their lease obligations and the future growth prospects of the current portfolio. As at 30 June 2019, 68% of the portfolio by income (excluding developments) is leased to the largest four tenants (Goodstart Early Learning Ltd 31%, Green Leaves Group Ltd 14%, Healius Limited 12% and Affinity Education Group 11%). Any material deterioration in the operating performance of these tenants may result in them not meeting their lease obligations which could reduce the Group's income.

Tenant risk

The Group relies on tenants to generate its revenue. Tenants may be not for profit companies limited by guarantee, private entities or listed public companies. If a tenant is affected by financial difficulties they may default on their rental or other contractual obligations which may result in loss of rental income and loss in value of the Group's properties. Typically, tenants are required to provide an unconditional and irrevocable bank guarantee, which must not expire until at least six months after the ultimate expiry date of the lease, for an amount generally equivalent to six months' rent (plus GST) as security for their performance under the lease.

Refer to note 8(d) for further details on tenancy risk for the portfolio.

DIRECTORS' REPORT

CONTINUED

INFORMATION ON DIRECTORS

The directors at the date of this report are:



David Ross, Independent Non-Executive Chairman

David has over 30 years' ASX listed company and corporate experience in the property and property funds management industries in Australia and overseas, including Global and US Chief Executive Officer Real Estate Investments and Chief Executive Officer Asia Pacific for Lend Lease, Chief Executive Officer for General Property Trust and Chief Operating Officer for Babcock and Brown. He is currently an independent non-executive Director at Charter Hall Group and was formerly a non-executive Director of Sydney Swans Foundation Limited.

David holds a Bachelor of Commerce from the University of Western Australia, an Associate Diploma in Valuation from Curtin University in Western Australia and is a fellow of the Australian Institute of Company Directors (FAICD).

Other current directorships: Charter Hall Group.

Former directorships in last 3 years: None.



Dr Simon Parsons, Independent Non-Executive Director

Simon has over 35 years' experience in the commercial property industry including former senior positions and directorships with Property Investment Research, Colliers International, Jones Lang Wootton (now Jones Lang LaSalle) and Parsons Hill Stenhouse.

Simon holds a Master of Science (Real Estate), a Master of Social Science (Environment & Planning), and a PhD in land use planning, public policy and land economics. He is a Fellow of both the Royal Institution of Chartered Surveyors (RICS) and the Australian Institute of Company Directors (FAICD).

Other current directorships: None.

Former directorships in last 3 years: None.



Dennis Wildenburg, Independent Non-Executive Director, Chairman of Board Audit Committee

Dennis has over 35 years' experience in the financial services, funds management and property industries including senior management, board and compliance committee roles.

Dennis is a member of Chartered Accountants Australia and New Zealand (CA ANZ) and is a Fellow of the Australian Institute of Company Directors (FAICD).

Other current directorships: Investa Wholesale Funds Management Limited; ICPF Holdings Limited.

Former directorships in last 3 years: None.



Rob de Vos, Executive Director

Rob was appointed Managing Director of Arena on 19 February 2019.

Rob has over 20 years' experience in the real estate and property funds management industry including acquisitions, developments, funds management, portfolio management and strategy, with expertise across both traditional and specialised property assets.

Prior to joining Arena, Rob held senior roles with Jones Lang LaSalle, Becton Property Group and Ceramic Funds Management.

Rob is a licensed real estate agent (VIC) and holds diplomas in Financial Markets and Property Operations.

Other current directorships: None.

Former directorships in last 3 years: None.

INFORMATION ON DIRECTORS CONTINUED



Gareth Winter, Executive Director and Company Secretary

Gareth was appointed Chief Financial Officer of Arena in March 2012 and Executive Director of Arena REIT Management Limited in December 2014. Gareth was formerly a partner at PricewaterhouseCoopers and has over 25 years' professional experience.

Throughout his professional career Gareth specialised in advising the listed and unlisted property and infrastructure funds management sector on corporate finance, capital management, risk management, transaction structuring and financial systems and reporting.

Gareth is a member of the Chartered Accountants Australia and New Zealand (CA ANZ) and holds a Bachelor of Commerce.

Other current directorships: None.

Former directorships in last 3 years: None.

MEETINGS OF DIRECTORS

The number of meetings of the Responsible Entity's board of directors and of each board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	ARL Board		ARML Board		Audit Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B	A	B
David Ross	15	15	16	16	10	10	3	3
Simon Parsons	15	14	16	15	10	10	3	3
Dennis Wildenburg	15	15	16	16	10	10	3	3
Bryce Mitchelson	10	9	11	10	*	*	*	*
Rob de Vos	6	6	6	6	*	*	*	*
Gareth Winter	*	*	16	16	*	*	*	*

A - Number of meetings held during the time the director held office or was a member of the committee during the year.

B - Number of meetings attended.

* = Not a member of the relevant board/committee.

REMUNERATION REPORT

The Board's Remuneration and Nomination Committee (Committee) presents the Remuneration Report which includes information on the remuneration arrangements for Arena's Key Management Personnel (KMP) for the year ended 30 June 2019. The report has been prepared and audited in accordance with the requirements of the Corporations Act and Regulations.

Governance

Who are the members of the Committee?	The Committee is comprised of the independent directors and is chaired by Mr David Ross.
What does the Committee do?	Advises the Board on remuneration policy and practices. The Committee also appoints remuneration advisers to review and advise on aspects of a remuneration policy and associated frameworks.
Who is included in the remuneration report?	The independent non-executive directors; and The Executive KMP: <ul style="list-style-type: none"> > Mr Rob de Vos - appointed Managing Director on 19 February 2019 (formerly Head of Property); > Mr Gareth Winter – Executive Director & Chief Financial Officer; and > Mr Bryce Mitchelson – retired as Managing Director on 19 February 2019.

DIRECTORS' REPORT

CONTINUED

REMUNERATION REPORT CONTINUED

Key Committee Decisions and remuneration outcomes in FY19

Governance	The Committee engaged Conari Partners to undertake an independent review of Arena's remuneration framework for implementation in FY18. No further changes were introduced in FY19.
Remuneration Mix	No change in the weighting of at-risk remuneration for Executive KMP in FY19.
Total Fixed Remuneration (TFR)	KMP received an average TFR increase of 3.9% in FY19.
Short Term Incentive (STI)	50% of an STI award to Executive KMP is deferred for 1 year with payment delivered in the form of Arena Stapled Securities. Executive KMP were awarded between 70-100% of their FY19 STI opportunity based on the achievement of financial targets, period of service and the assessment of individual performance against non-financial KPIs.
Long Term Incentive (LTI)	The testing of hurdles and other conditions in relation to the FY16 LTI Grant occurred during FY19. The FY16 LTI grant vested in August 2018: <ul style="list-style-type: none">> Arena's FY18 Distributable Income per Security exceeded the performance hurdle range; and> Arena's 3 year Total Securityholder Return (TSR) of 63% ranked at the 89th percentile of the comparator group comprising the members of the ASX300 A-REIT Index over the performance period.
Retirement of Managing Director	Mr Mitchelson received a termination payment of 9 months TFR for his contractual notice period. In recognition of Mr Mitchelson's near 10 years of service prior to his retirement on 19 February 2019, the Committee determined that Mr Mitchelson would also retain: <ul style="list-style-type: none">> An entitlement to an FY19 STI (50% deferred);> Deferred STI rights granted in respect of his FY18 STI;> LTI performance rights granted in FY17 and a proportion of his FY18 and FY19 LTI performance rights representative of the performance period elapsed (including the notice period) and progress towards achievement of performance hurdles. The vesting of Deferred STI and LTI performance rights will be assessed in conjunction with the normal periodic assessment of performance and other vesting conditions.

Key Decisions in respect to FY20 Remuneration and LTI Assessment

Governance	No change to the remuneration framework is proposed in FY20.
Fixed Remuneration (TFR)	The Managing Director's TFR will increase to \$500,000 from 1 July 2019 (previously \$435,000) in recognition of performance since appointment and comparison to market remuneration. The FY20 STI opportunity will be \$333,334 (previously \$290,000) based on the target remuneration mix.
Short Term Incentive (STI)	Deferred STI Rights in respect of the deferred component of the FY19 STI are granted after 30 June 2019. The number of Rights granted is based on the volume weighted average price (VWAP) of Arena Stapled Securities in the 15 days prior to 30 June 2019.
Long Term Incentive (LTI)	The testing of hurdles and other conditions in relation to the FY17 LTI Grant occurred after 30 June 2019. The FY17 LTI grant will vest in August 2019: <ul style="list-style-type: none">> Arena's FY19 Distributable Income per Security exceeded the performance hurdle range; and> Arena's 3 year TSR of 66% ranked at the 68th percentile of the comparator group comprising the members of the ASX300 A-REIT Index over the performance period.

REMUNERATION REPORT CONTINUED

Executive KMP Remuneration Framework linked to performance

Executive KMP Remuneration Framework Objectives	
Attract, retain and incentivise Executive KMP	Align remuneration to performance and strategy
<ul style="list-style-type: none"> > Market competitive rewards > Incentivise with opportunity for performance based pay 	<ul style="list-style-type: none"> > Generate market competitive returns for securityholders > Assess incentives against financial and non-financial measures aligned with strategy and values > Deliver a meaningful component of KMP remuneration in the form of equity subject to performance hurdles

Remuneration Components		
Fixed Remuneration	STI (variable)	LTI (variable)
<ul style="list-style-type: none"> > Base level of annual remuneration > Set based on role, experience and qualifications > Market data of comparable organisations considered > Generally reviewed annually 	<ul style="list-style-type: none"> > Performance based focused on business plan objectives including delivery of distributions to securityholders > Discretionary participation > Opportunity based on a percentage of fixed remuneration > Financial measures based on DPS and an EPS growth target > Non-financial measures consider role and objectives of the organisation to which they are expected to contribute > Non-financial objectives based on leadership, strategy development and execution, risk management, funding, liquidity, people, culture and values, stakeholder management, key relationships, and project delivery > Payable 50% in cash and 50% in equity with vesting of equity component deferred for 1 year > Taking into consideration circumstances over the course of the financial year, the Board has discretion to reduce, cancel or increase STI payments 	<ul style="list-style-type: none"> > Performance based aligned with security holder returns > Discretionary participation > Opportunity based on a percentage of fixed remuneration > 3 year performance period > Payable in equity to align KMP and securityholders > Vesting determined by performance against Distributable Income Target and Relative TSR ranking against the members of the ASX300 AREIT Index > Independently assessed fair value used to allot LTI opportunity and the face value of LTI opportunity disclosed to securityholders > Taking into consideration circumstances over the course of the performance period, the Board has discretion to reduce, cancel or increase LTI payments

DIRECTORS' REPORT

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REMUNERATION REPORT CONTINUED

Executive KMP Remuneration Mix

	TFR	At Risk Performance Based Remuneration		
		Cash	Equity	
		STI	Deferred STI	LTI
	%	%	%	%
Executive KMP				
Robert de Vos	45	15	15	25
Gareth Winter	50	12.5	12.5	25
Former Executive KMP				
Bryce Mitchelson	45	15	15	25

Executive KMP Employment Agreements

Contract duration	Ongoing
Termination by the Executive KMP	<p>Managing Director: 9 months' notice</p> <p>Chief Financial Officer: 6 months' notice.</p> <p>Unvested STI or LTI entitlements lapse unless the Board determines otherwise.</p>
Termination by Arena REIT without cause, mutually agreed resignation, retirement or other circumstance	<p>Standard notice period applies or equivalent payment in lieu of notice based on TFR. Unvested STI or LTI awards will remain on-foot subject to the original performance conditions and vesting period. The Board will have discretion to pro-rate awards which remain on foot (for time and performance). The Board may lapse an award in full and also allow accelerated vesting in special circumstances subject to termination benefit rules.</p>
Termination by Arena REIT for cause	<p>No notice period or termination payment unless the board determines otherwise. Unvested STI or LTI entitlements lapse unless the Board determines otherwise.</p>
Post-employment restraints	<p>Restrained from soliciting suppliers, customers and staff for the term of the relevant notice period post-employment.</p>

Performance & Variable Remuneration Outcomes

5 Year Performance Indicators						
Metric		FY19	FY18	FY17	FY16	FY15
Net Profit (Statutory)	\$m	59.3	64.4	96.8	72.6	61.0
Distributable Income	\$m	37.7	34.7	28.7	25.6	22.1
Distributable Income per Security	cents	13.8	13.1	12.3	11.1	10.2
Distributions per Security	cents	13.5	12.8	12.0	10.9	10.0
Net Asset Value per Security	\$	2.10	1.97	1.84	1.54	1.33
ASX Security Price at 30 June	\$	2.74	2.15	2.25	1.99	1.54
Gearing	%	22.8	24.7	27.5	26.8	29.1
Annual Total Shareholder Return (TSR)	%	34.3	1.2	19.8	37.6	36.3
Annual TSR of ASX-300 A-REIT Index	%	11.4	13.2	(5.6)	24.6	20.2

REMUNERATION REPORT CONTINUED

Executive KMP FY19 STI Performance Measures and Assessment

STI Financial Objective	Result
Underlying Profit Performance:	
> Deliver a minimum FY19 Distribution of 13.5 cents per security (5.5% increase on FY18)	Achieved
> Achieve a stretch target distributable income per security	Achieved

Executive KMP FY19 STI Awards

	STI Award	Award as a % of STI Opportunity ¹	Cash Component	Equity Component ^{2,3}
	\$	%	\$	\$
Executive KMP				
Robert de Vos	243,334	100	121,667	121,667
Gareth Winter	187,500	100	93,750	93,750
Former Executive KMP				
Bryce Mitchelson ⁴	250,000	70	125,000	125,000

1. The Board awards STIs based on a performance assessment of financial and individual non-financial objectives. An STI opportunity not awarded is forfeited.
2. Number of Deferred STI Rights which convert into Arena Stapled Securities on meeting vesting conditions. The number of rights is based on dividing the value of the award by the VWAP of Arena Stapled Securities in the 15 days prior to the end of the financial year.
3. Deferred STI Rights do not receive cash distributions. However, additional rights will be granted equivalent to the distribution paid on Arena Stapled Securities during the 12 month deferral period.
4. Bryce Mitchelson retired as Managing Director on 19 February 2019.

DIRECTORS' REPORT

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REMUNERATION REPORT CONTINUED

LTI Performance Measures and Assessment

LTI Year	Performance Measurement Period	LTI Performance Measure ⁴	Performance Hurdle	Result	Vesting Outcome ⁶
FY16	FY16 – FY18	Relative TSR ¹	50% of rights vest at the 50 th percentile; with pro rata vesting until 100% vesting at the 75 th percentile.	Arena's TSR of 63% ranked at the 89 th percentile of the comparator group over the Performance Measurement Period.	100%
	FY18	DIS ^{2,3}	Target range of 11.5 cents to 12.5 cents ⁵	Target range exceeded. Actual DIS of 13.1 cents	100%
FY17	FY17 – FY19	Relative TSR ¹	50% of rights vest at the 50 th percentile; with pro rata vesting until 100% vesting at the 75 th percentile.	Arena's TSR of 66% ranked at the 68 th percentile of the comparator group over the Performance Measurement Period.	100% ⁷
	FY19	DIS ^{2,3}	Target range of 12.5 cents to 13.25 cents ⁵	Target range exceeded. Actual DIS of 13.8 cents	100%
FY18	FY18-FY20	Relative TSR ¹	50% of rights vest at the 50 th percentile; with pro rata vesting until 100% vesting at the 75 th percentile.	N/A	
	FY20	DIS ^{2,3}	Target range of 13.5 cents to 14.25 cents ⁵		
FY19	FY19-FY21	Relative TSR ¹	50% of rights vest at the 50 th percentile; with pro rata vesting until 100% vesting at the 75 th percentile.	N/A	
	FY21	DIS ^{2,3}	Target range of 14.3 cents to 15.0 cents ⁵		

1. Relative TSR versus a comparator group comprising the members of the ASX300 A-REIT Index at the commencement of each 3 year performance period (assuming reinvestment of distributions). Relative TSR performance reduces the effect of market cycles as it measures Arena's performance relative to its peers.

2. DIS (Distributable Income per Security) is a key performance indicator referenced by the Board in preparing business plans and measuring Arena's performance. DIS is determined in accordance with Arena's Distribution Policy.

3. The DIS performance hurdle is based on a target range assessed in the final year of a three year performance period.

4. A 50% weighting is attributed to each performance measure.

5. 50% vesting at the threshold of the target range plus progressive pro-rata vesting between 50% and 100% (ie on a straight-line basis) with 100% vesting at or above the upper target.

6. The Board retains full discretion in respect of the LTI award including adjust the conditions and / or performance outcomes to ensure that executive KMP are neither advantaged nor disadvantaged by matters that affect the conditions, for example the timing of a material equity raising or excluding the effects of one-off items.

7. Based on a TSR ranking at the 68th percentile of the comparator group as at 30 June 2019, 93% of the FY17 LTI would have vested. The Committee noted that Arena's TSR was ranked at the 84th percentile of the comparator group as at 20 May 2019, being the day prior to undertaking an Institutional Placement and announcing a Security Purchase Plan which collectively raised \$66.4 million to support future investment and growth opportunities. The Committee is of the view that the capital raisings undertaken for the benefit of securityholders has influenced the short term relative performance of Arena in the period between 20 May 2019 and 30 June 2019 and this impacted the outcome. On that basis, and in recognition of the strong operating performance over the duration of the 3 year performance period, the Committee recommended to the Board that it exercise discretion in respect of the TSR outcome and award 100% to the Executive KMP.

REMUNERATION REPORT CONTINUED

Executive KMP Remuneration Summary (Actual Amounts Received)¹

	Short Term Benefits			Equity Based Payments ³		Termination	Accrued Leave Entitlements	Total
	Salary ²	Cash STI	Non-Monetary Benefits	LTI Performance Rights	LTI Recognition Rights			
	\$	\$	\$	\$	\$	\$	\$	\$

Executive KMP

Robert de Vos

FY19	371,304	96,000	11,862	261,155	–	–	–	740,321
FY18	320,000	147,250	10,615	142,979	73,443	–	–	694,287

Gareth Winter

FY19	375,000	81,000	11,862	271,313	–	–	–	739,175
FY18	360,000	120,909	10,615	157,275	80,788	–	–	729,587

Former Executive KMP

Bryce Mitchelson⁴

FY19	350,310	147,333	7,627	586,516	–	401,250	241,070	1,734,106
FY18	520,000	227,250	12,116	339,575	174,427	–	–	1,273,368

1. Voluntary disclosure of actual remuneration received by Executive KMP. It does not align with information required by accounting standards.
2. Salary includes mandatory superannuation contributions.
3. The value of vested equity based payments is based on the ASX price of an Arena Stapled Security on the date of issue of a stapled security.
4. Mr Mitchelson retired as Managing Director on 19 February 2019.

Executive KMP Remuneration measured in accordance with accounting standards (statutory)

	Short Term Benefits			Equity Based Payments		Long Service Leave	Termination	Total
	Salary ¹	Cash STI	Non-Monetary Benefits	Deferred STI Rights	LTI Performance Rights			
	\$	\$	\$	\$	\$	\$	\$	\$

Executive KMP

Robert de Vos

FY19	371,304	121,667	11,862	114,045	172,854	22,065	–	813,797
FY18	320,000	96,000	10,615	48,000	111,495	10,552	–	632,370

Gareth Winter

FY19	375,000	93,750	11,862	91,768	175,418	11,531	–	759,329
FY18	360,000	81,000	10,615	40,500	116,620	9,427	–	652,260

Former Executive KMP

Bryce Mitchelson

FY19	350,310	125,000	7,627	206,662	367,680	3,895	401,250	1,462,424
FY18	520,000	147,333	12,116	73,667	221,566	11,489	–	1,026,573

1. Salary includes mandatory superannuation contributions.

DIRECTORS' REPORT

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REMUNERATION REPORT CONTINUED

Executive KMP Statutory Remuneration Mix^{1,2}

	TFR	STI	LTI
	%	%	%
Executive KMP			
Robert de Vos	47	29	24
Gareth Winter	51	24	25
Former Executive KMP			
Bryce Mitchelson	34	31	35

1. Variation between TMR and actual remuneration mix is a result of non-vesting of opportunities and timing differences between granting an LTI and the amortisation for accounting of the LTI expense over the vesting period.

2. Excludes amounts paid on termination.

Executive KMP Interests in Securities

Ordinary Stapled Securities						
	Balance 30 June 2018	Acquired	Disposed	Received as Remuneration	Other Changes ¹	Balance 30 June 2019
	No.	No.	No.	No.	No.	No.
Executive KMP						
Robert de Vos	134,606	–	–	110,192	–	244,798
Gareth Winter	185,357	–	–	114,478	–	299,835
Former Executive KMP						
Bryce Mitchelson	1,012,530	–	–	247,475	(1,260,005)	–

1. Represents the balance of securities held on the date ceased to be an Executive KMP.

Deferred STI Rights							
	Year ¹	Opening Balance	Rights Granted ²	Rights Vested	Rights Lapsed	Closing Balance	Grant Value ³
		No.	No.	No.	No.	No.	\$
Executive KMP							
Robert de Vos	FY18	–	43,636	–	–	43,636	96,000
Gareth Winter	FY18	–	36,818	–	–	36,818	81,000
Former Executive KMP							
Bryce Mitchelson	FY18	–	66,970	–	–	66,970	147,333

1. Represents the period in respect of which the STI was awarded. The actual grant of Deferred STI Rights occurs in the following financial year.

2. 50% of total STI award divided by the 15 day VWAP to the end of the relevant financial year (FY18 \$2.20).

3. Represents the value of the STI award at grant date. This also represents a reasonable estimation of the fair value of the grant as Deferred STI Rights are entitled to distribution equivalents during the 12 month vesting period.

REMUNERATION REPORT CONTINUED

LTI Performance Rights ^{5,6,7,8}								
	Grant Year	Opening Balance	Rights Granted ^{1,2}	Rights Vested ³	Rights Lapsed	Closing Balance	Fair Value at Grant Date ²	Face Value at Grant Date ⁴
		No.	No.	No.	No.	No.	\$	\$
Executive KMP								
Robert de Vos	FY19	–	139,410	–	–	139,410	\$186,112	\$299,732
	FY18	119,314	–	–	–	119,314	\$177,779	\$268,457
	FY17	120,156	–	–	–	120,156	\$155,000	\$240,312
	FY16	110,192	–	(110,192)	–	–	\$109,090	\$173,001
Gareth Winter	FY19	–	140,450	–	–	140,450	\$187,500	\$301,968
	FY18	120,805	–	–	–	120,805	\$180,000	\$271,811
	FY17	123,326	–	–	–	123,326	\$159,091	\$246,652
	FY16	114,478	–	(114,478)	–	–	\$113,333	\$179,730
Former Executive KMP								
Bryce Mitchelson	FY19	–	222,638	–	(111,319)	111,319	\$297,222	\$478,672
	FY18	193,885	–	–	(38,777)	155,108	\$288,890	\$436,241
	FY17	195,736	–	–	–	195,736	\$252,500	\$391,472
	FY16	247,745	–	(247,745)	–	–	\$245,000	\$388,536

1. LTI opportunity divided by an independent valuation of the fair value of a Performance Right as at the grant date.
2. FY19 Grants have a grant date of 1 July 2018 and a vesting date of 30 June 2021. The Fair Value per Right of \$1.335 was determined by an independent valuation. Refer to Note 23 of the financial report for information on the valuation inputs.
3. Testing of the performance and other hurdles in relation to the Rights issued in FY16 occurred post 30 June 2018. Vesting of Rights in accordance with the FY17 LTI assessment will be reflected in FY20.
4. Number of Rights granted multiplied by the security price on the relevant grant date. If Rights vest (subject to performance and other conditions), the security price on the date of issue of securities may be higher or lower than grant date. The value of the unvested Rights may be nil if the vesting conditions are not met and the rights lapse.
5. Distributions are not paid on unvested LTI awards;
6. No payment is required on issue of performance rights or stapled securities respect of a vested performance right;
7. In the event of an actual or proposed change of control event that the Board in its discretion determines should be treated as a change of control, a pro-rata number of unvested grants will vest at the time of the relevant event, based on the performance period elapsed and the extent to which performance hurdles have been achieved at the time (unless the Board determines another treatment in its discretion);
8. The LTI Plan restricts Executive KMP from entering into transactions (through the use of derivatives or otherwise) that would have the effect of limiting the economic risk from participating in the LTI Plan.

DIRECTORS' REPORT

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REMUNERATION REPORT CONTINUED

Non-Executive Director Remuneration Framework

How are Non-Executive Director fees set?	Fees are set to ensure non-executive directors are remunerated fairly for their services, recognising the level of skill, expertise and experience required to perform the role.
Who approves the fees?	Each non-executive director of Arena REIT is paid an amount determined by the Board. Non-executive directors do not receive any equity based payments, retirement benefits or incentive payments.
Is there a maximum fee?	Non-Executive Director fees are subject to a maximum aggregate amount approved by securityholders of \$650,000 per annum.

FY19 Board and Committee Fees

	Board Fee ¹	Audit Committee	Remuneration & Nomination Committee
	\$	\$	\$
Chairman	199,000	10,000	10,000
Member	101,000	5,000	5,000

1. The Board fee received by the Chairman of the Board is inclusive of all Committee fees.
2. All Fees are inclusive of Superannuation.

Non-Executive Director Reported Remuneration (statutory)

		Fee ¹
		\$
David Ross (Chairman)	FY19	199,000
	FY18	193,000
Simon Parsons	FY19	111,000
	FY18	108,000
Dennis Wildenburg	FY19	116,000
	FY18	113,000

1. Fee includes mandatory superannuation contributions

Non-Executive Director Security Holdings

Ordinary Securities	Balance 30 June 2018	Acquired	Disposed	Balance 30 June 2019
	No.	No.	No.	No.
David Ross	200,000	–	–	200,000
Simon Parsons	204,079	–	–	204,079
Dennis Wildenburg	154,079	–	–	154,079

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the year, the Group has paid insurance premiums to insure each of the directors, and officers of the Group against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Group other than conduct involving a wilful breach of duty in relation to the Group.

The contract of insurance prohibits disclosure of the nature of the liability covered and the amount of the premium.

The Group has not, during or since the end of the financial year indemnified or agreed to indemnify an auditor of the Group or of any related body corporate against a liability incurred in their capacity as an auditor.

NON-AUDIT SERVICES

Details of the non-audit services provided to the Group by the Independent Auditor during the year ended 30 June 2019 are disclosed in note 24 of the financial statements.

FEES PAID TO AND INTERESTS HELD IN THE GROUP BY THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the Responsible Entity and its associates out of Group property during the year are disclosed in note 22 of the financial statements.

INTERESTS IN THE GROUP

The movement in securities on issue in the Group during the year is disclosed in note 13 to the financial statements.

CORPORATE GOVERNANCE STATEMENT

The board of directors for Arena REIT Limited and Arena REIT Management Limited work together and take a co-ordinated approach to the corporate governance of the Group.

Each Board has a Board Charter which details the composition, responsibilities, and protocols of the Board. In addition, the Boards have a Code of Conduct which sets out the standard of business practices required of the Group's directors and staff.

The Group conducts its business in accordance with these policies and code, as well as other key policies which are published on its website. These include:

- > Communications Policy;
- > Continuous Disclosure Policy;
- > Diversity Policy;
- > Privacy Policy;
- > Securities Trading Policy;
- > Summary of Risk Management Framework.

In compliance with ASX Listing Rule 4.10.3, the Group has also published a statement disclosing the extent to which the Group has followed the recommendations for good corporate governance set by the ASX Corporate Governance Council (3rd Edition) during the reporting period on its website, www.arena.com.au/about/governance.

ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

DIRECTORS' REPORT

CONTINUED

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

The Group is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 33.

This report is made in accordance with a resolution of directors.



David Ross, **Chairman**

Melbourne, 13 August 2019

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Arena REIT No. 1 for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Arena REIT No. 1 and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Charles Christie', written in a cursive style.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
13 August 2019

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Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Consolidated	
For the year ended 30 June 2019		30 June 2019	30 June 2018
		Notes	\$'000
		\$'000	\$'000
Income			
Property income	8(c)	55,235	47,785
Management fee income		372	411
Interest		206	429
Realised gain on sale of investment properties		–	30
Revaluation of investment properties	8	25,964	26,479
Total income		81,777	75,134
Expenses			
Property expenses	8(c)	(453)	(377)
Management and administration expenses		(5,375)	(4,300)
Net (loss)/gain on change in fair value of derivative financial instruments		(8,619)	(553)
Finance costs	3	(7,337)	(5,183)
Other expenses		(670)	(289)
Total expenses		(22,454)	(10,702)
Net profit for the year		59,323	64,432
Other comprehensive income		–	–
Total comprehensive income for the year		59,323	64,432
Total comprehensive income for the year is attributable to Arena REIT stapled group investors, comprising:			
Unitholders of Arena REIT No. 1		45,995	58,593
Unitholders of Arena REIT No. 2 (non-controlling interest)		14,404	6,287
Unitholders of Arena REIT Limited (non-controlling interest)		(1,076)	(448)
		59,323	64,432
Earnings per security:			
		Cents	Cents
Basic earnings per security in Arena REIT No. 1	5	16.84	22.12
Diluted earnings per security in Arena REIT No. 1	5	16.74	21.99
Basic earnings per security in Arena REIT Group	5	21.73	24.33
Diluted earnings per security in Arena REIT Group	5	21.59	24.18

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

CONSOLIDATED BALANCE SHEET

		Consolidated	
As at 30 June 2019		30 June 2019	30 June 2018
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents	6	8,134	8,654
Trade and other receivables	7	7,711	6,146
Total current assets		15,845	14,800
Non-current assets			
Receivables	7	603	668
Property, plant and equipment		139	154
Investment properties	8	798,318	699,409
Intangible assets	9	10,816	10,816
Total non-current assets		809,876	711,047
Total assets		825,721	725,847
Current liabilities			
Trade and other payables	10	8,364	5,887
Provisions		167	312
Distributions payable		9,832	8,619
Total current liabilities		18,363	14,818
Non-current liabilities			
Derivative financial instruments	12	9,180	561
Provisions		278	334
Interest bearing liabilities	11	187,570	178,491
Total non-current liabilities		197,028	179,386
Total liabilities		215,391	194,204
Net assets		610,330	531,643
Equity			
Contributed equity - ARF1	13	306,368	259,780
Accumulated profit		204,155	190,618
Non-controlling interests - ARF2 and ARL		99,807	81,245
Total equity		610,330	531,643

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Consolidated			
	Contributed equity	Accumulated profit	Non-controlling interests - ARL & ARF2	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	202,179	161,929	68,368	432,476
Profit for the year	–	58,593	5,839	64,432
Total comprehensive income for the year	–	58,593	5,839	64,432
Transactions with owners in their capacity as owners:				
Issue of securities under the DRP	3,773	–	568	4,341
Issue of securities under the Institutional Placement	45,478	–	8,544	54,022
Issue of securities under the Security Purchase Plan	8,350	–	1,564	9,914
Distributions to securityholders	–	(29,904)	(4,468)	(34,372)
Equity-based remuneration	–	–	830	830
Balance at 30 June 2018	259,780	190,618	81,245	531,643
Balance at 1 July 2018	259,780	190,618	81,245	531,643
Profit for the year	–	45,995	13,328	59,323
Total comprehensive income for the year	–	45,995	13,328	59,323
Transactions with owners in their capacity as owners:				
Issue of securities under the DRP	5,640	–	849	6,489
Issue of securities under the Institutional Placement	40,948	–	8,064	49,012
Distributions to securityholders	–	(32,458)	(4,848)	(37,306)
Equity-based remuneration	–	–	1,169	1,169
Balance at 30 June 2019	306,368	204,155	99,807	610,330

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Consolidated		
		30 June 2019	30 June 2018
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts in the course of operations		54,523	47,658
Payments in the course of operations		(10,786)	(9,430)
Finance costs paid		(7,076)	(4,837)
Interest received		206	409
Net cash inflow from operating activities	16	36,867	33,800
Cash flows from investing activities			
Proceeds from sale of investment properties		3,518	7,120
Payments for investment properties and capital expenditure		(69,143)	(83,034)
Net cash (outflow) from investing activities		(65,625)	(75,914)
Cash flows from financing activities			
Net proceeds from issue of securities		48,973	63,908
Distributions paid to securityholders		(29,565)	(28,607)
Loan establishment costs paid		(170)	(1,093)
Capital receipts from lenders		59,000	23,500
Capital payments to lenders		(50,000)	(16,022)
Net cash inflow from financing activities		28,238	41,686
Net (decrease)/increase in cash and cash equivalents		(520)	(428)
Cash and cash equivalents at the beginning of the financial year		8,654	9,082
Cash and cash equivalents at the end of the financial year	6	8,134	8,654

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

These financial statements cover Arena REIT (the 'Group') comprising Arena REIT No. 1, Arena REIT No. 2, Arena REIT Limited, and their controlled entities. Arena REIT is listed on ASX and registered and domiciled in Australia.

The Arena REIT Stapled Group (the 'Group') comprises Arena REIT No. 1 ('ARF1'), Arena REIT No. 2 ('ARF2') and Arena REIT Limited ('ARL'). The Responsible Entity of ARF1 and ARF2 is Arena REIT Management Limited (the 'Responsible Entity').

The financial statements were authorised for issue by the directors on 13 August 2019. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Arena REIT is a for-profit unit trust for the purpose of preparing the financial statements.

The financial report has been prepared on an accruals and historical cost basis except for investment properties, financial assets at fair value through profit or loss, derivative financial instruments which are measured at fair value, and assets held for sale which are recognised at fair value less costs to sell. Cost is based on the fair value of consideration given in exchange for assets. Comparative information is reclassified where appropriate to enhance comparability.

Compliance with International Financial Reporting Standards

The financial statements of the Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

As at 30 June 2019, the Group had a net working capital deficiency of \$2.5 million. This deficiency is due to working capital management within the Arena stapled group, and the difference in the timing of drawdowns from the Group's debt facility and the timing of capital expenditure on developments and asset acquisitions. As at the date of this report, the Group has in excess of \$90 million of unused debt facility which can be drawn to fund cashflow requirements.

After taking into account all available information, the directors of the Group have concluded that there are reasonable grounds to believe:

- > The Group will be able to pay its debts as and when they fall due; and
- > The basis of preparation of the financial report on a going concern basis is appropriate.

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2018:

- > AASB 9 *Financial Instruments*
- > AASB 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards is summarised below:

AASB 9 *Financial Instruments*

The revised AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial instruments and introduces new rules for hedge accounting. As the Group classifies its investments at fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. GENERAL INFORMATION CONTINUED

through profit or loss and does not apply hedge accounting, there is no impact to the Group due to the adoption of this standard.

In December 2014, the AASB also introduced a new impairment model (an expected credit loss model). As the impairment requirements of AASB 9 do not apply to financial assets at fair value through profit or loss and the Group also has a history of recovering all trade debtors, there is no impact on the financial statements due to the adoption of this standard.

AASB 15 Revenue from Contracts with Customers

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the previous notion of risk and reward.

The Group's primary source of income is rent from investment properties, which is excluded from the scope of AASB 15 as it falls within the scope of AASB 140 *Investment Property*.

The Group has assessed the impact of the application of AASB 15 and concludes that it does not have any material revenue streams within the scope of AASB 15. Therefore the adoption of this standard has no material impact on the financial statements.

(b) Critical accounting estimates and judgements

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements which are material to the financial report are found in the following notes:

- › Investment properties – Note 8
- › Impairment of goodwill – Note 9
- › Financial instruments – Notes 12,17

FINANCIAL RESULTS, ASSETS AND LIABILITIES

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the Group, including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements
- (b) analysis and sub-totals
- (c) information about estimates and judgements made in relation to particular items.

2. SEGMENT INFORMATION

The Group operates as one business segment being investment in real estate, and in one geographic segment being Australia. The Group's segments are based on reports used by the Board (as the Chief Operating Decision Maker) in making strategic decisions about the Group, assessing the financial performance and financial position of the Group, determining the allocation of resources and risk management.

3. FINANCE COSTS

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Finance costs:		
Interest paid or payable	7,008	4,646
Loan establishment and other finance costs	329	237
Write-off of loan establishment costs due to refinancing	–	300
Total finance costs expensed	7,337	5,183
Finance costs capitalised (a)	478	1,498
Total finance costs	7,815	6,681

(a) Accounting policy - Finance costs

Finance costs include interest and amortisation of costs incurred in connection with the arrangement of borrowings. Finance costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than twelve months to get ready for their intended use or sale. Where funds are borrowed for the acquisition, construction or production of a qualifying asset, the finance costs capitalised are those incurred in relation to that qualifying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. INCOME TAXES

Under current Australian income tax legislation, ARF1 and ARF2 are not liable to Australian income tax, provided that the members are presently entitled to the income of the Trusts. Trust distributions are subject to income tax in the hands of securityholders.

ARL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. ARL as the head entity in the tax consolidated group, accounts for its own current and deferred tax amounts. ARL also recognises the current and deferred tax liabilities (or assets) of the entities in the tax consolidation group. Where appropriate, deferred tax assets and liabilities are offset.

(a) Numerical reconciliation of tax expense per the statutory income tax rate to income tax expense recognised

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Profit before income tax	(59,323)	(64,432)
Tax at the applicable Australian tax rate of 27.5% (2018 - 27.5%)	16,314	17,719
Profit attributable to entities not subject to tax	16,610	17,842
Deferred tax assets not recognised	(296)	(123)
Income tax expense	-	-

Unrecognised deferred tax assets are \$0.3 million (2018: \$0.1 million). These have not been recognised as it is not probable that future taxable profit will arise to offset these deductible temporary differences.

(b) Accounting policy - income tax

(i) Trusts

Arena REIT No.1 and Arena REIT No.2 (the Trusts) are not subject to Australian income tax provided their taxable income is fully distributed to securityholders.

(ii) Companies

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

4. INCOME TAXES CONTINUED

(iii) Tax consolidation legislation

ARL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The head entity, ARL, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, ARL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

All current tax balances are transferred from the controlled entities in the group to ARL. As there is no tax sharing agreement in place the current tax receivable or payable is transferred from each controlled entity to ARL as a contribution to (or distribution from) wholly owned entities.

5. EARNINGS PER SECURITY ('EPS')

	2019	2018
	Cents	Cents
Basic EPS in Arena REIT No. 1	16.84	22.12
Diluted EPS in Arena REIT No. 1	16.74	21.99
Basic EPS in Arena REIT Group	21.73	24.33
Diluted EPS in Arena REIT Group	21.59	24.18

The following information reflects the income and security numbers used in the calculations of basic and diluted EPS.

	2019	2018
	Number of securities	Number of securities
	'000	'000
Weighted average number of ordinary securities used in calculating basic EPS	273,055	264,878
Rights granted under employee incentive plans	1,730	1,615
Adjusted weighted average number of ordinary securities used in calculating diluted EPS	274,785	266,493

	30 June 2019	30 June 2018
	\$'000	\$'000
Earnings used in calculating basic EPS for Arena REIT No. 1	45,995	58,593
Earnings used in calculating diluted EPS for Arena REIT No. 1	45,995	58,593
Earnings used in calculating basic EPS for Arena REIT Group	59,323	64,432
Earnings used in calculating diluted EPS for Arena REIT Group	59,323	64,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. EARNINGS PER SECURITY ('EPS') CONTINUED

(a) Accounting policy - earnings per security

(i) Basic earnings per security

Basic earnings per security is calculated by dividing:

- > the profit attributable to the securityholders, excluding any costs of servicing equity other than ordinary securities;
- > by the weighted average number of ordinary securities outstanding during the financial year.

(ii) Diluted earnings per security

Diluted earnings per security adjust the figures used in the determination of basic earnings per security to take into account:

- > the effect of interest and other financial costs associated with dilutive potential ordinary securities;
- > the weighted average number of additional ordinary securities that would have been outstanding assuming the conversion of all dilutive potential ordinary securities.

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Cash at bank	8,134	8,654
Total cash and cash equivalents	8,134	8,654

(a) Accounting policy - Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. TRADE AND OTHER RECEIVABLES

(a) Trade and other receivables - Current

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Trade receivables	258	192
Other receivables	6,418	5,510
Prepayments	975	364
Deferred management fees receivable	60	80
	7,711	6,146

7. TRADE AND OTHER RECEIVABLES CONTINUED

Other receivables as at 30 June 2019 includes \$4.3 million of sales proceeds payable to the Group following the disposal of an ELC asset in June 2019 (30 June 2018: \$3.6 million).

(i) Impairment and ageing

The ageing of trade receivables at the end of the reporting period was:

	Gross	Impairment	Gross	Impairment
	2019	2019	2018	2018
	\$'000	\$'000	\$'000	\$'000
Not past due	233	–	60	–
Past due 0 - 30 days	–	–	132	–
Past due 31 - 60 days	25	–	–	–
Past due 61 - 90 days	–	–	–	–
Past due over 90 days	–	–	–	–
	258	–	192	–

No other class of financial asset is past due.

Any receivables which are doubtful have been provided for.

From time to time, tenant payments are delayed for administrative reasons such as lease assignment. Management have reviewed all receivables for impairment and are comfortable that the balances are due and payable, and that recovery can be obtained. Past history also supports the recoverability of these receivables.

(b) Receivables - Non-current

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Deferred management & performance fees receivable	603	668

(i) Impairment and ageing

None of the non-current receivables are impaired or past due but not impaired.

(ii) Fair values

The fair values and carrying values of non-current receivables are as follows:

	30 June 2019		30 June 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Deferred management & performance fees	603	603	668	668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. TRADE AND OTHER RECEIVABLES CONTINUED

(c) Accounting policy - Receivables

Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

8. INVESTMENT PROPERTIES

(a) Valuations and carrying amounts

Property Portfolio	Carrying amount		Latest external valuation	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
ELC properties	662,692	596,678	639,470	551,225
ELC developments	13,492	17,338	9,055	9,420
Healthcare properties	122,134	85,393	109,770	80,400
Total	798,318	699,409	758,295	641,045

The Group has adopted a valuation program that provides for each property to be independently valued by suitably qualified valuers at least once every three years. Changes in market conditions may necessitate more frequent independent revaluations of properties.

Independent valuations were performed on 40 Early Learning Centres ('ELC') as at 31 December 2018, and a further 45 ELCs and two healthcare centres as at 30 June 2019. The directors have reviewed these valuations and has determined they are appropriate to adopt during the financial period ending 30 June 2019. Director valuations were performed on investment properties not independently valued.

The key inputs into valuations are:

- > Passing rent;
- > Market rents;
- > Capitalisation rates;
- > Lease terms;
- > Discount rates (healthcare properties); and
- > Capital expenditure and vacancy contingencies (healthcare properties).

8. INVESTMENT PROPERTIES CONTINUED

The key inputs into the valuation are based on market information for comparable properties. The majority of early learning and healthcare properties are located in markets with evidence to support valuation inputs and methodology. The independent valuers have experience in valuing similar assets and have access to market evidence to support their conclusions. Comparable assets are considered those in similar markets and condition.

Investment properties have been classified as Level 2 in the fair value hierarchy.

There have been no transfers between the levels in the fair value hierarchy during the year.

(i) Key assumptions - ELCs

	30 June 2019	30 June 2018
Market rent per licenced place	\$1,600 to \$5,000	\$1,500 to \$5,000
Capitalisation rates	5.0% to 8.25%	5.0% to 8.5%
Passing yields	4.5% to 9.0%	4.0% to 9.0%

(ii) Key assumptions - Healthcare properties

	30 June 2019	30 June 2018
Capitalisation rates	5.25% to 6.50%	6.0% to 7.0%
Passing yields	5.50% to 6.75%	6.0% to 7.75%

(b) Movements during the financial year

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
At fair value		
Opening balance	699,409	591,712
Property acquisitions and capital expenditure	70,936	80,498
Disposals	(4,455)	(4,402)
Revaluations	25,964	26,479
Other IFRS revaluation adjustments	6,464	5,122
Closing balance	798,318	699,409

(c) Amounts recognised in profit or loss for investment properties

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Property income	48,744	42,673
Other property income (recognised on a straight line basis)	6,491	5,112
Direct operating expenses from property that generated property income	(453)	(377)
Revaluation gain on investment properties	25,964	26,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. INVESTMENT PROPERTIES CONTINUED

(d) Tenancy risk

Set out below are details of the major tenants who lease properties from the Group:

- **Goodstart Early Learning Ltd ('Goodstart')** - representing 31% of the Group's investment property portfolio by income. Like many not-for-profit entities, Goodstart is a company limited by guarantee. It therefore does not have "shareholders," rather, each of the member charities (Mission Australia, Benevolent Society, Brotherhood of St Laurence and Social Ventures Australia) is a member of the company. Goodstart's "capital" is loan capital of varying degrees of risk and subordination.
- **Green Leaves Group Limited ('Green Leaves')** - representing 14% of the Group's investment property portfolio by income. Green Leaves is a privately held provider of early childhood education, owning and operating approximately 30 ELCs throughout Australia.
- **Healius Limited ('Healius')** - representing 12% of the Group's investment property portfolio by income. Healius is an ASX listed company and a major operator of multi-disciplinary medical clinics throughout Australia. Healius leases property from the Group through a wholly-owned subsidiary, providing a corporate guarantee from the listed entity to provide security for their performance under the leases.
- **Affinity Education Group Limited ('Affinity')** - representing 11% of the Group's investment property portfolio by income. Affinity is a privately held provider of early childhood education, owning and operating over 150 ELCs throughout Australia.

Other Tenants

Operator	% of Investment Property Portfolio by Income
G8 Education	7%
Petit Early Learning Journey	5%
Oxanda Education	3%

All of the above tenants are ELC operators. G8 Education is listed on the Australian Securities Exchange. The other tenants are privately owned with experience operating ELCs. Typically, tenants are required to provide an unconditional and irrevocable bank guarantee, which must not expire until at least six months after the ultimate expiry of the lease, for an amount generally equivalent to six months' rent (plus GST) as security for their performance under the lease.

(e) Assets pledged as security

Refer to note 11 for information on investment properties and other assets pledged as security by the Group.

(f) Contractual obligations

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	30 June 2019	30 June 2018
	\$'000	\$'000
Investment properties	13,770	7,178

The above commitments include the costs associated with developments, and the acquisition of early learning properties.

8. INVESTMENT PROPERTIES CONTINUED

(g) Leasing arrangements

Investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000

Minimum lease receivable under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

Within one year	50,348	44,415
Later than one year but not later than 5 years	212,812	182,820
Later than 5 years	591,779	460,790
	854,939	688,025

(h) Accounting policy - Investment properties

Investment property is real estate investments held to earn long term rental income and for capital appreciation. Investment properties are carried at fair value determined either by the Directors or independent valuers with changes in fair value recorded in the statement of comprehensive income.

Land and buildings (including integral plant and equipment) that comprise investment property are not depreciated. The carrying amount of investment properties may include the cost of acquisition, additions, refurbishments, redevelopments, improvements, lease incentives, assets relating to fixed increases in operating lease rental in future periods and borrowing costs incurred during the construction period of qualifying assets.

(i) Valuation basis

The basis of the valuation of investment properties is fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Directors may determine the requirement for a valuation at any time but has adopted a valuation program that provides for each property to be independently valued by suitably qualified valuers at least once every three years. Changes in market conditions may necessitate more frequent independent revaluations of properties.

Valuations are derived from a number of factors that may include a direct comparison between the subject property and a range of comparable sales evidence, the present value of net future cash flow projections based on reliable estimates of future cash flows, existing lease contracts, external evidence such as current market rents for similar properties, and using capitalisation rates and discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. INTANGIBLE ASSETS

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Goodwill	10,816	10,816
	10,816	10,816

The intangible asset held by the Group represents goodwill on acquisition. There are no other intangibles held by the Group.

Goodwill has been allocated to the Group's lowest cash generating unit representing funds management across the Arena REIT business as a whole.

The Group tests impairment of goodwill annually by comparing its carrying amount with its recoverable amount. The recoverable amount is determined by a value in use calculation which uses the discounted cash flow methodology based on five years of cash flow projections, based on financial budgets, plus a terminal value.

Key assumptions include:

- > growth rates set in the range of 2% to 3% per annum; and
- > cash flows are discounted at a rate of 6.76% per annum.

The Group has considered and assessed reasonably possible changes in key assumptions and have not identified any instances that could cause the carrying amount to exceed its recoverable amount.

(a) Accounting policy - Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

10. TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Prepaid rental income	2,128	1,640
Sundry creditors and accruals	6,236	4,247
	8,364	5,887

Trade and other payables are non-interest bearing.

11. INTEREST BEARING LIABILITIES

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Non-current:		
Secured		
Syndicated facility	188,500	179,500
Unamortised transaction costs	(930)	(1,009)
Total secured non-current borrowings	187,570	178,491

(a) Financing arrangements

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Committed facilities available at the end of the reporting period		
Interest bearing liabilities	280,000	230,000
Facilities used at the end of the reporting period		
Interest bearing liabilities	188,500	179,500

The Group refinanced its syndicated debt facility during the year, increasing the facility limit by \$50 million to \$280 million. The Group now has a \$130 million facility expiring 31 March 2022 and a \$150 million facility expiring 31 March 2023, providing a remaining weighted average term of 3.3 years as at 30 June 2019.

The facilities are available to both ARF1 and ARF2 and the assets of both Trusts are held as security under the facilities.

The interest rate applying to the drawn amount of the facilities is set on a monthly basis at the prevailing market interest rates.

The undrawn amount of the bank facilities may be drawn at any time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. INTEREST BEARING LIABILITIES CONTINUED

(b) Assets pledged as security

The bank facilities are secured by a registered first mortgage over investment property and a fixed and floating charge over the assets of ARF1 and ARF2.

The carrying amounts of assets pledged as security are:

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Financial assets pledged		
Cash and cash equivalents	3,749	5,087
Trade and other receivables	7,498	6,102
	11,247	11,189
	30 June 2019	30 June 2018
	\$'000	\$'000
Other assets pledged		
Investment properties	798,318	699,409
	798,318	699,409

(c) Covenants

The covenants over the Group's bank facility require an interest cover ratio of greater than 2.0 times (actual at 30 June 2019 of 5.5 times) and a loan to market value of investment properties ratio of less than 50% (actual at 30 June 2019 of 24.8%). The Group was in compliance with its covenants throughout the year.

(d) Accounting policy - Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Transaction costs are amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Non-current liabilities		
Interest rate swaps	9,180	561
	9,180	561

The Group has entered into interest rate swap contracts under which they receive interest at variable rates and pay interest at fixed rates to protect interest bearing liabilities from exposure to changes in interest rates.

Swaps currently in place cover 82% (2018: 78%) of the facility principal outstanding. The weighted average fixed interest swap rate at 30 June 2019 was 2.42% (2018: 2.44%), and the weighted average term was 4.8 years (2018: 5.9 years).

Periodic swap settlements match the period for which interest is payable on the underlying debt, and are settled on a net basis.

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Less than 1 year	-	-
1 - 2 years	22,500	-
2 - 3 years	15,000	22,500
3 - 4 years	30,000	15,000
4 - 5 years	15,000	15,000
Greater than 5 years	72,500	87,500
	155,000	140,000

(a) Accounting policy - Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Group does not designate any derivatives as hedges in a hedging relationship and therefore changes in the fair value of any derivative instrument are recognised immediately in the statement of comprehensive income.

(b) Key estimate - Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives or unquoted securities) is determined using valuation techniques.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. CONTRIBUTED EQUITY

(a) Securities

	Consolidated			
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Securities '000	Securities '000	\$'000	\$'000

Ordinary Securities

Fully paid	291,325	269,351	306,368	259,780
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Other contributed equity attributable to securityholders of the Group relating to ARF2 and ARL of \$61.0 million is included within non-controlling interests - ARF2 and ARL (30 June 2018: \$51.6 million).

(b) Movements in ordinary securities

Date	Details	Number of securities	
		'000	\$'000
1 July 2017	Opening balance	234,843	202,179
	Issue of securities under the DRP (i)	2,022	3,773
	Vesting of equity-based remuneration (ii)	467	-
3 August 2017	Issue of securities under the Institutional Placement (iii)	27,094	45,478
5 September 2017	Issue of securities under the Security Purchase Plan	4,925	8,350
30 June 2018	Closing balance	269,351	259,780
1 July 2018	Opening balance	269,351	259,780
	Issue of securities under the DRP (i)	2,738	5,640
	Vesting of equity-based remuneration (ii)	510	-
27 May 2019	Issue of securities under the Institutional Placement (iii)	18,726	40,948
30 June 2019	Closing balance	291,325	306,368

(i) Distribution Re-investment Plan (DRP)

The Group has a Distribution Reinvestment Plan (DRP) under which securityholders may elect to have all or part of their distribution entitlements satisfied by the issue of new securities rather than being paid in cash.

(ii) Equity-based remuneration

In September 2018, 509,999 performance rights granted to employees of an associate of the Responsible Entity in FY16 vested as a result of performance conditions being fulfilled.

(iii) Institutional Placement

The Group completed a fully underwritten placement to institutional and professional investors in May 2019 which raised \$50 million through the issue of 18,726,592 stapled securities at a price of \$2.67 per stapled security. Settlement of the new stapled securities under the placement occurred on 27 May 2019.

14. ACCUMULATED PROFIT

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Movements in accumulated profit were as follows:		
Opening accumulated profit	190,618	161,929
Net profit for the year attributable to ARF1	45,995	58,593
Distribution paid or payable attributable to ARF1	(32,458)	(29,904)
Closing accumulated profit	204,155	190,618

Distributions to securityholders

The following table details the distributions to securityholders during the financial year on a consolidated basis, including distributions declared by ARF2 (classified as a non-controlling interest) of \$4.8 million (30 June 2018: \$4.5 million).

Distributions declared	2019	2018	2019	2018
	\$'000	\$'000	cps	cps
September quarter	9,138	8,570	3.375	3.200
December quarter	9,157	8,583	3.375	3.200
March quarter	9,179	8,600	3.375	3.200
June quarter	9,832	8,619	3.375	3.200
Total distributions to securityholders	37,306	34,372	13.500	12.800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. NON-CONTROLLING INTERESTS

The financial statements reflect the consolidation of ARF1, ARF2 and ARL. For financial reporting purposes, one entity in the stapled group must be identified as the acquirer or parent entity of the others. ARF1 has been identified as the acquirer of ARF2 and ARL, resulting in ARF2 and ARL being disclosed as non-controlling interests.

Movements in non-controlling interests were as follows:

	ARF2	ARL	Total
	30 June 2018	30 June 2018	30 June 2018
	\$'000	\$'000	\$'000
Opening balance - 1 July 2017	54,305	14,063	68,368
Securities issued under DRP	568	–	568
Issue of securities under the Institutional Placement	6,787	1,757	8,544
Issue of securities under the Security Purchase Plan	1,242	322	1,564
Vesting of equity-based remuneration	–	487	487
Net profit/(loss) for the year attributable to non-controlling interests	6,287	(448)	5,839
Distributions paid or payable attributable to non-controlling interests	(4,468)	–	(4,468)
Increase/(decrease) in reserves (i)	–	343	343
Closing balance - 30 June 2018	64,721	16,524	81,245

	ARF2	ARL	Total
	30 June 2019	30 June 2019	30 June 2019
	\$'000	\$'000	\$'000
Opening balance - 1 July 2018	64,721	16,524	81,245
Issue of securities under the DRP	849	–	849
Issue of securities under the Institutional Placement	6,577	1,487	8,064
Vesting of equity-based remuneration	–	505	505
Net profit/(loss) for the year attributable to non-controlling interests	14,404	(1,076)	13,328
Distributions paid or payable attributable to non-controlling interests	(4,848)	–	(4,848)
Increase/(decrease) in reserves (i)	–	664	664
Closing balance - 30 June 2019	81,703	18,104	99,807

(i) Reserves

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Opening balance	1,366	1,023
Vesting of equity-based remuneration	(505)	(487)
Equity-based remuneration expense	1,169	830
Balance 30 June	2,030	1,366

The equity-based remuneration reserve is used to recognise the fair value of rights issued under the Group's Deferred Short Term and Long Term Incentive Plan.

16. CASH FLOW INFORMATION

(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Profit for the year	59,323	64,432
Amortisation of borrowing costs	249	460
Net increase in fair value of investment properties	(25,964)	(26,479)
Straight lining adjustment on rental income	(6,491)	(5,112)
Net (gain)/loss on sale of direct property	223	(30)
Net (gain)/loss on derivative financial instruments	8,619	553
Equity-based remuneration expense	1,168	830
Other	150	67
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	229	194
(Decrease)/increase in trade and other payables	(438)	(1,136)
(Decrease)/increase in provisions	(201)	21
Net cash inflow from operating activities	36,867	33,800

(b) Net debt reconciliation

This section sets out an analysis of the net debt movements for the financial year:

	Cash and cash equivalents	Interest bearing liabilities	Derivative financial instruments	Total
	\$'000	\$'000	\$'000	\$'000
Net debt as at 30 June 2018	8,654	(178,491)	(561)	(170,398)
Cash flows	(520)	(8,830)	–	(9,350)
Other non-cash movements	–	(249)	(8,619)	(8,868)
Net debt as at 30 June 2019	8,134	(187,570)	(9,180)	(188,616)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Group is exposed to are market risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Group's policies and processes for managing these risks are described below.

(a) Market risk

Market risk embodies the potential for both loss and gains and includes interest rate risk and price risk. The Group's strategy on the management of investment risk is driven by the Group's investment objective. The Group's market risk is managed in accordance with the investment guidelines as outlined in the Group's Product Disclosure Statement.

(i) Cash flow and fair value interest rate risk

The Group's cash and cash equivalents, floating rate borrowings and interest rate swaps expose it to a risk of change in the fair value or future cash flows due to changes in interest rates. The specific interest rate exposures are disclosed in the relevant notes to the financial statements.

The Group economically hedges a portion of its exposure to changes in interest rates on variable rate borrowings by using floating-to-fixed interest rate swaps. By hedging against changes in interest rates, the Group has limited its exposure to changes in interest rates on its cash flows. The portion that is hedged is set by the Board of Directors and is influenced by the hedging requirements set out in the Group's debt facility documents, and the market outlook. The Group ensures the maturity of individual swaps does not exceed the expected life of assets.

The Group's exposure to interest rate risk at reporting date, including its sensitivity to changes in market interest rates that were reasonably possible, is as follows:

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Financial assets		
Cash and cash equivalents (floating interest rate)	8,134	8,654
Financial liabilities		
Interest bearing liabilities - floating interest rate	(188,500)	(179,500)
Derivative financial instruments (notional principal amount) - fixed rate interest rate swaps	155,000	140,000
Net Exposure	(25,366)	(30,846)

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT CONTINUED

Sensitivity of profit or loss to movements in market interest rates for derivative instruments with cash flow risk:

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Market interest rate increased by 100 basis points (2018: 100 bp)	(254)	(308)
Market interest rate decreased by 100 basis points (2018: 100 bp)	254	308
Instruments with fair value risk:		
Derivative financial instruments	155,000	140,000
Sensitivity of profit or loss to movements in market interest rates for financial instruments with fair value risk:		
Market interest rate increased by 100 basis points (2018: 100 bp)	7,146	7,418
Market interest rate decreased by 100 basis points (2018: 100 bp)	(7,146)	(7,418)

The interest rate range for sensitivity purposes has been determined using the assumption that interest rates changed by +/- 100 basis points from year end rates with all other variables held constant. In determining the impact of an increase/decrease in equity to securityholders arising from market risk the Group has considered prior period and expected future movements of the portfolio information in order to determine a reasonable possible shift in assumptions.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Group's maximum credit risk exposure at balance date in relation to each class of recognised financial asset, other than equity and derivative financial instruments, is the carrying amount of those assets as indicated in the balance sheet. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at reporting date.

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Cash at bank	8,134	8,654
Other receivables	3,989	2,850
Less: Allowance for impairment of trade receivables	-	-
Maximum exposure to credit risk	12,123	11,504

The Group manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults. Financial assets such as cash at bank and interest rate swaps are held with high credit quality financial institutions (rated equivalent A or higher by the major rating agencies). Before accepting a new tenant, the Group endeavours to obtain financial information from the prospective tenant, and rental guarantees are sought before a tenancy is approved. Third party credit risk is secured by corporate, personal and bank guarantees where possible.

All receivables are monitored by the Group. If any amounts owing are overdue these are followed up and if necessary, allowances are made for debts that are doubtful.

At the end of the reporting period there are no issues with the credit quality of financial assets that are either past due or impaired, and all amounts are expected to be received in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT CONTINUED

(c) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Group monitors its exposure to liquidity risk by ensuring that as required there is sufficient cash on hand or debt facility funding available to meet the contractual obligations of financial liabilities as they fall due. The Group sets budgets to monitor cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

Consolidated	Less than 12 months	1-2 years	Greater than 2 years
	\$'000	\$'000	\$'000
30 June 2019			
Trade and other payables	18,196	–	–
Interest rate swaps	1,740	1,662	5,446
Interest bearing liabilities	5,456	5,446	195,506
Contractual cash flows (excluding gross settled derivatives)	25,392	7,108	200,952

Consolidated	Less than 12 months	1-2 years	Greater than 2 years
	\$'000	\$'000	\$'000
30 June 2018			
Trade and other payables	14,506	–	–
Interest rate swaps	706	708	3,219
Interest bearing liabilities	6,091	6,107	193,715
Contractual cash flows (excluding gross settled derivatives)	21,303	6,815	196,934

(d) Fair value estimation

The carrying amounts of the Group's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT CONTINUED

(e) Fair value hierarchy

(i) Classification of financial assets and financial liabilities

AASB 13 requires disclosure of fair value measurements by level of fair value hierarchy. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Group's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2019 and 30 June 2018 on a recurring basis:

Consolidated	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2019				
Financial liabilities				
Interest rate swaps	–	9,180	–	9,180
Total	–	9,180	–	9,180
30 June 2018				
Financial liabilities				
Interest rate swaps	–	561	–	561
Total	–	561	–	561

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels during the year.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT CONTINUED

(ii) Valuation techniques used to derive level 2 and level 3 values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves, taking into account any material credit risk.

(f) AFSL financial compliance risk

The Group is exposed to the risk of having inadequate capital and liquidity. Arena REIT Management Limited, a subsidiary of ARL, holds an Australian Financial Services License ('AFSL') and acts as a responsible entity for the Group's managed investment schemes. The AFSL requires minimum levels of net tangible assets, liquid assets, cash reserves and liquidity, which may restrict the Group in paying dividends that would breach these requirements.

The directors regularly review and monitor the Group's balance sheet to ensure ARML's compliance with its AFSL requirements.

18. CAPITAL MANAGEMENT

The objectives of the Stapled Group are to generate attractive and predictable income distributions to investors with earnings growth prospects over the medium to long term.

The Group aims to invest to meet the Group's investment objectives while maintaining sufficient liquidity to meet its commitments. The Group regularly reviews performance, including asset allocation strategies, investment and operational management strategies, investment opportunities, performance review, and risk management.

In order to maintain its capital structure, the Group may adjust the amount of distributions paid to securityholders, return capital to securityholders, issue new securities or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital through the analysis of a number of financial ratios, including the Gearing ratio.

Gearing Ratio	30 June 2019	30 June 2018
	\$'000	\$'000
Interest bearing liabilities	188,500	179,500
Total assets	825,721	725,847
Gearing ratio	22.8%	24.7%

GROUP STRUCTURE

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole.

19. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following:

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2019	2018
			%	%
Citrus Investment Services Limited	Australia	Ordinary	100	100
Arena REIT Management Limited	Australia	Ordinary	100	100
Arena REIT Operations Pty Ltd	Australia	Ordinary	100	100

UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not satisfy the recognition criteria.

20. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There are no material outstanding contingent assets or liabilities as at 30 June 2019 and 30 June 2018. For details of commitments of the Group as at 30 June 2019, refer to note 8.

21. EVENTS OCCURRING AFTER THE REPORTING PERIOD

In conjunction with the Institutional Placement, the Group offered a Security Purchase Plan (SPP) to eligible investors in June 2019. \$16.37 million was raised through the issue of 6.2 million securities on 1 July 2019.

Other than the matter identified above, no other significant events have occurred since the end of the reporting period which would impact on the financial position of the Group disclosed in the consolidated balance sheet as at 30 June 2019 or on the results and cash flows of the Group for the year ended on that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FURTHER DETAILS

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

22. RELATED PARTY DISCLOSURES

Subsidiaries

Investments in controlled entities is set out in note 19.

Key management personnel compensation

	30 June 2019	30 June 2018
	\$	\$
Short term employee benefits	1,800,963	1,875,616
Post-employment benefits	93,419	96,064
Long term benefits	37,491	31,468
Termination benefits	401,250	–
Equity-based remuneration	1,128,427	722,055
	3,461,550	2,725,203

Detailed remuneration disclosures are provided in the Remuneration report.

Stapled group

The Arena REIT Stapled Group comprises ARF1, ARF2, and ARL and its controlled entities.

Arena REIT Management Limited (a wholly owned subsidiary of ARL) is Responsible Entity of the Trusts.

Responsible entity

The Responsible Entity or its related parties are entitled to receive fees in accordance with the Group's constitution, from the Group and its controlled entities.

	30 June 2019	30 June 2018
	\$	\$
The following transactions occurred with related parties:		
Property management income received from other related parties	39,783	27,083
Management fees received by the Group from other related parties	216,250	216,404
Property income received from other related parties	11,550	14,054
Increase/(decrease) in fair value of performance fee receivable by the Group from other related parties	(5,330)	69,875
Amounts receivable:		
Amount receivable from other related parties at the end of the reporting period	29,754	26,755
Deferred management and performance fees receivable at the end of the reporting period	662,813	748,143
Amounts payable:		
Amounts payable to other related parties at the end of the reporting period	–	–

23. EQUITY BASED REMUNERATION

(a) Performance Rights and Deferred Short Term Incentive Rights Plan (Rights)

The performance rights and deferred short term incentive rights are unquoted securities. Conversion to stapled securities is subject to performance conditions which are discussed in the Remuneration Report.

Performance rights	2019	2018	2017	2016	Total
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
Rights issued	604,596	658,098	524,092	535,655	2,322,441
Performance rights issued	604,596	658,098	524,092	535,655	2,322,441
Number rights forfeited/lapsed in prior years	–	(56,118)	(21,394)	(25,656)	(103,168)
Number rights forfeited/lapsed in current year	(111,319)	(38,777)	–	–	(150,096)
Number rights vested in prior years	–	–	–	–	–
Number rights vested in current year	–	–	–	(509,999)	(509,999)
Closing balance	493,277	563,203	502,698	–	1,559,178

Deferred Short Term Incentive Rights	2019	2018	2017	2016	Total
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
Rights issued	171,120	–	–	–	171,120
Deferred Short Term Incentive rights issued	171,120	–	–	–	171,120
Number rights forfeited/lapsed in prior years	–	–	–	–	–
Number rights forfeited/lapsed in current year	–	–	–	–	–
Number rights vested in prior years	–	–	–	–	–
Number rights vested in current year	–	–	–	–	–
Closing balance	171,120	–	–	–	171,120

(b) Rights expense

Total expenses relating to the Rights recognised during the year as part of equity-based remuneration was as follows:

	30 June 2019	30 June 2018
	<i>\$'000</i>	<i>\$'000</i>
Performance Rights	752	645
Deferred Short Term Incentive Rights	417	185
	1,169	830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. EQUITY-BASED REMUNERATION CONTINUED

(c) Rights valuation inputs

(i) Performance Rights

Performance Rights issued were independently valued for the purposes of valuation and accounting using a Binomial Tree or Monte Carlo method, as applicable. The model inputs for the Rights issued during FY19 to assess the fair value are as follows:

Grant date	1 July 2018
Security price at grant date	\$2.15
Fair value of right	\$1.335
Expected price volatility	20%
Risk-free interest rate	2.10%

(ii) Deferred Short Term Incentive Rights

The valuation of Deferred Short Term Incentive Rights is based on the volume weighted average price ("VWAP") 15 days prior to the commencement of the performance period. The VWAP is deemed to be a reasonable estimation of fair value, as the rights are entitled to distribution equivalents over the performance period.

(d) Accounting policy - Equity-based remuneration

Employees may receive remuneration in the form of security-based incentives, whereby employees render services as consideration for equity-based incentives (equity-settled transactions). The Group did not have any cash-settled equity-based incentives in the financial year.

The cost of equity-settled transactions is recognised, together with a corresponding increase in reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for these transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and for awards subject to non-market vesting conditions, the Group's best estimate of the number of equity instruments that will ultimately vest in respect of the relevant rights. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee expenses.

If the terms of an equity-settled transaction are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the transaction, or is otherwise beneficial to the employee as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

24. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group:

	Consolidated	
	30 June 2019	30 June 2018
	\$	\$
PricewaterhouseCoopers Australian firm		
Audit and other assurance services		
Audit and review of financial statements	116,500	108,500
Audit of compliance plans	14,000	10,200
Total remuneration for audit and other assurance services	130,500	118,700
Taxation services		
Tax compliance services, including review of income tax returns	42,918	34,387
Tax consulting	36,340	8,200
Total remuneration for taxation services	79,258	42,587
Total remuneration of PricewaterhouseCoopers	209,758	161,287

25. PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity Arena REIT No. 1, has been prepared on the same basis as the consolidated financial statements.

(a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Parent	30 June 2019	30 June 2018
	\$'000	\$'000
Income statement information		
Net profit attributable to Arena REIT No. 1	45,995	58,593
Comprehensive income information		
Total comprehensive income attributable to Arena REIT No. 1	45,995	58,593
Balance Sheet		
Current assets	9,898	8,541
Non-current assets	676,184	614,016
Total assets	686,082	622,557
Current liabilities	18,718	14,964
Non-current liabilities	156,841	157,195
Total liabilities	175,559	172,159
Equity attributable to securityholders of Arena REIT No. 1		
Contributed equity	306,368	259,780
Accumulated profit	204,155	190,618
	510,523	450,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Principles of consolidation

(i) Stapled entities

The units of ARF1, ARF2 and the shares of ARL are combined and issued as stapled securities in the Arena REIT Stapled Group. The units of ARF1, ARF2 and shares of ARL cannot be traded separately and can only be traded as a stapled security. This financial report consists of the consolidated financial statements of the Arena REIT Stapled Group, which comprises ARF1, ARF2, and ARL and its controlled entities.

AASB 3 *Business Combinations* requires one of the stapled entities in a stapling structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, ARF1 has been identified as the parent entity in relation to the stapling with ARF2 and ARL.

The consolidated financial statements of the Arena REIT Stapled Group incorporate the assets and liabilities of the entities controlled by ARF1 at 30 June 2019, including those deemed to be controlled by ARF1 by identifying it as the parent of the Arena REIT Stapled Group, and the results of those controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Non-controlling interests in the results and equity are shown separately in the Statement of Comprehensive Income and Statement of Financial Position respectively. Non-controlling interests are those interests in ARF2 and ARL which are not held directly or indirectly by ARF1.

(ii) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 26(c)).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(iii) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(b) Presentation of members interests in ARF2 and ARL

As ARF1 has been assessed as the parent entity of the Group, the securityholders interests in ARF2 and ARL are included in equity as "non-controlling interests" relating to the stapled entity. Securityholders interests in ARF2 and ARL are not presented as attributable to owners of the parent reflecting the fact that they are not owned by ARF1, but by the securityholders of the stapled group.

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(d) Revenue

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. Where a lease has fixed annual increases, the total rent receivable over the operating lease is recognised as revenue on a straight-line basis over the lease term. This results in more income being recognised early in the lease term and less late in the lease term compared to the lease conditions. The difference between the lease income recognised and the actual lease payments received is shown within the fair value of the investment property on the consolidated balance sheet.

When the Group provides lease incentives to tenants, the cost of the incentives are recognised over the lease term, on a straight-line basis, as a reduction in rental income.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, are only recognised when contractually due.

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest rate method.

Distribution income is recognised when the right to receive a distribution has been established.

Management service fees earned from managed investment schemes or trusts are calculated based on the agreed percentage of funds under management and agreed percentages of schemes or trust acquisitions and disposals. Management fees are recognised on an accrual basis.

Performance fees earned from managed funds are recorded when the Group has a legal or constructive right as a result of past events, and it is probable that an inflow of resources will occur and the amount can be reliably estimated.

Deferred management fees and performance fees are measured at the present value of the Responsible Entity's best estimate of the amount receivable at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the asset.

Other income is recognised when the right to receive the revenue has been established.

All income is stated net of goods and services tax (GST).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Expenses

All expenses are recognised in profit or loss on an accruals basis.

(f) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long term employee benefit obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(g) Distributions

The Group distributes income adjusted for amounts determined by the Group. Provision is made for any distribution amounts declared, being appropriately disclosed and no longer at the discretion of the entity, on or before the end of the reporting date but not distributed at the end of the reporting period. The distributions are recognised within the balance sheet and statement of changes in equity as a reduction in accumulated profit/(losses).

(h) Assets held for sale

Assets are classified as held-for-sale when a sale is considered highly probable and their carrying amount will be recovered principally through a sale transaction rather than through continued use. Assets classified as held-for-sale are presented separately from the other assets in the consolidated balance sheet.

Assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Changes to fair value are recorded in the consolidated statement of comprehensive income.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset (or disposal group) is recognised at the date of derecognition.

Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Financial instruments

(i) Classification

The Group's investments are classified as at fair value through profit or loss. They comprise:

➤ *Financial instruments held for trading*

Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification. The Group does not designate any derivatives as hedges in a hedging relationship.

➤ *Financial instruments designated at fair value through profit or loss upon initial recognition*

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts and commercial paper.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

Financial assets and financial liabilities are recognised on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, financial assets are initially recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the consolidated entity and the Group is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Group recognises the difference in profit or loss to reflect a change in factors, including time, that market participants would consider in setting a price.

Further detail on how the fair values of financial instruments are determined is disclosed in note 17(d).

Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(l) Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the relevant taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the consolidated balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables and payables in the consolidated balance sheet.

Cashflows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(n) Rounding of amounts

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. The Group has not early adopted these standards/interpretations. The Group's assessment of the impact of relevant new standards and interpretations is set out below:

Standard / Interpretation	Impact	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 16 <i>Leases</i>	<p>In February 2016, the AASB issued AASB 16 <i>Leases</i>. The standard provides a single lessee accounting model, requiring lessees to recognise an asset (the right to use the leased item) and a financial liability to pay rentals. The only exemptions are where the lease term is 12 months or less, or the underlying asset has a low value. Lessor accounting is substantially unchanged under AASB 16.</p> <p>Management has assessed the effects of applying the new standard on the Group's financial statements and has determined that as of 1 January 2019, the impact is not expected to be material.</p>	1 January 2019	30 June 2020

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 34 to 73 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and
- (c) Note 1(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



David Ross, **Chairman**

Melbourne, 13 August 2019

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To the members of Arena REIT No. 1

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Arena REIT No. 1 (ARF1) and its controlled entities (together the Group or Arena REIT Stapled Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the declaration of the directors.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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INDEPENDENT AUDITOR'S REPORT

CONTINUED



We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> • For the purpose of our audit we used overall group materiality of \$2.109 million which represents approximately 5% of the Group's profit before tax adjusted for significant non-cash fair value movements. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose profit before tax adjusted for significant non-cash fair value movements because, in our view, it is the key benchmark used to measure the performance of the Group. We adjusted Group profit before tax for fair value movements in investment properties and fair value changes in derivatives. • We utilised a 5% threshold based on our professional judgement, noting, it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. 	<ul style="list-style-type: none"> • Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: <ul style="list-style-type: none"> – Fair value of investment properties • These are further described in the <i>Key audit matters</i> section of our report.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Fair value of investment properties (Refer to note 8)</p> <p>The Group's portfolio of investment properties was recognised as an asset in the financial report at \$798.3m at 30 June 2019 and comprised of properties in the Early Learning Centres (ELC) and healthcare sectors in Australia.</p> <p>The investment properties are recognised at fair value, with changes in the fair values recognised in the profit and loss.</p> <p>The estimation of fair value for investment properties was a key audit matter because of:</p> <ul style="list-style-type: none"> the magnitude of the investment properties asset balance relative to the net assets of the Group the level of judgement involved in the underlying assumptions used in the models determining the fair value of investment properties (the fair value models) the sensitivity of fair value to any changes in key inputs and assumptions used in the models the potential impact to profit as a result of the revaluation of investment properties <p>The fair value of investment properties is influenced by:</p> <ul style="list-style-type: none"> the valuation methodology adopted key judgemental assumptions used in the fair value models, such as capitalisation rate, market rent per licensed place (ELC properties) and passing yields other key inputs in the fair value models, such as passing rent and lease terms 	<p>As at 30 June 2019, the Group obtained independent valuations on 45 ELC properties and two healthcare centres. We checked that investment properties were valued by external experts as required by the Group's valuation program.</p> <p>For a sample of investment properties with external valuations, we assessed the objectivity, competency, and independence of the external experts.</p> <p>In addition, for a sample of the investment properties where the Group involved external valuation experts, we:</p> <ul style="list-style-type: none"> considered the external valuer's terms of engagement and checked for factors such as caveats or limitations that may have influenced the outcomes. We did not note any such factors. agreed the passing rents and lease terms applied in the valuations to the underlying leases. assessed the external experts' valuations against our industry and market knowledge. inspected the final valuation reports and agreed the fair value to the Group's accounting records noting no exceptions. <p>In respect to other investment properties, we:</p> <ul style="list-style-type: none"> checked that Group staff with relevant professional qualification assisted in estimating the fair value. on a sample basis, agreed the passing rent and lease terms applied in the fair value models to the underlying leases. on a sample basis, compared key assumptions (e.g. capitalisation rates, market rent per licensed place, passing yields) applied in the fair

INDEPENDENT AUDITOR'S REPORT

CONTINUED



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
	<p>value models to independent sources and similar sized properties in the market, with consideration of historical data and known external factors. In instances where key assumptions fell outside of our anticipated ranges, we challenged the rationale supporting the assumptions applied in the fair value models by discussing with management and obtaining supporting evidence. We note that the reasons provided by management were appropriate.</p> <ul style="list-style-type: none">considered the independent valuers report on the directors' valuation assessment and checked for indicators that may suggest the director valuations are outside a reasonable range.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' report and Corporate directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of Arena REIT Management Limited (the responsible entity of ARF1) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 21 to 30 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Arena REIT No. 1 for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Arena REIT Management Limited (the responsible entity of ARF1) are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
13 August 2019



ASX ADDITIONAL INFORMATION

ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 16 AUGUST 2019

There were 298,453,779 fully paid ordinary securities on issue, held by 4,805 securityholders. There were 262 holders holding less than a marketable parcel.

The voting rights attaching to the ordinary securities, set out in section 253C of the *Corporations Act 2001*, are:

- (i) on a show of hands every person present who is a securityholder has one vote; and
- (ii) on a poll each securityholder present in person or by proxy or attorney has one vote for each security they have in the Group.

DISTRIBUTION OF SECURITYHOLDERS

Number of securities held	Number of securityholders	Total securities held	% of total securities on issue
1-1,000	757	274,699	0.09
1,001-5,000	922	2,717,442	0.91
5,001-10,000	834	6,427,427	2.15
10,001-100,000	2,178	61,468,440	20.60
100,000 and over	114	227,565,771	76.25
Total	4,805	298,453,779	100.00

SUBSTANTIAL SECURITYHOLDERS

Name of substantial securityholder	Number of securities	Fully Paid (%)
The Vanguard Group, Inc	26,562,449	8.90
Australian Unity Funds Management Limited	23,775,729	7.97

TWENTY LARGEST SECURITYHOLDERS

Holder Name	Number of securities	Fully Paid (%)
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	65,189,226	21.842
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	39,325,254	13.176
NATIONAL NOMINEES LIMITED	36,000,808	12.062
BNP PARIBAS NOMS PTY LTD <DRP>	27,628,947	9.257
CITICORP NOMINEES PTY LIMITED	18,185,934	6.093
THE TRUST COMPANY LIMITED <FOLKESTONE EDUCATION A/C>	11,081,919	3.713
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	4,711,818	1.579
BUTTONWOOD NOMINEES PTY LTD	961,657	0.322
CARBRY INVESTMENTS PTY LTD <CARBRY FAMILY A/C>	889,633	0.298
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	855,349	0.287
NATIONAL NOMINEES LIMITED <DB A/C>	746,007	0.250
AUSTRAL CAPITAL PTY LTD <AUSTRAL EQUITY FUND A/C>	705,000	0.236
MR DAVID STEWART FIELD	685,780	0.230
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	631,174	0.211
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	626,916	0.210
HARRIETTE & CO PTY LTD <HARRIETTE INVESTMENT A/C>	566,691	0.190
AMP LIFE LIMITED	559,437	0.187
SANDHURST TRUSTEES LTD <AIMS PSF A/C>	500,000	0.168
BRISPOL NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	492,059	0.165
MR PHILIPPE DENIS GEORGES PEREZ	470,251	0.158
Totals	210,813,860	70.635



INVESTOR INFORMATION

ASX LISTING

Arena REIT is listed on the Australian Securities Exchange (ASX) under the code ARF.

ARENA REIT SECURITIES

A stapled security in Arena REIT comprises:

- > one share in Arena REIT Limited;
- > one unit in Arena REIT No.1; and
- > one unit in Arena REIT No.2;

stapled and traded together as one security.

ACCESSING INFORMATION ON ARENA

The Arena website www.arena.com.au provides access to the latest announcements, financial reports, presentations and teleconferences released by Arena. It also provides information on Arena's Board and management team, as well as access to information on your investment via the Investor Centre.

RECEIVING INFORMATION ELECTRONICALLY

By electing to receive information from Arena electronically, you will receive secure and environmentally friendly email notifications of ASX announcements, distribution and annual tax statements, annual reports and upcoming events. If you wish to register for electronic communications you can log in and update your details online, download the form from the registry website at boardroomlimited.com.au/investor-forms/ or call 1800 008 494 to request a form.

MANAGING YOUR INVESTMENT ONLINE

You can manage your holding online at the Investor Centre on the Arena website www.arena.com.au/Investor-Centre, please click on 'Investor Login' to register, or call 1800 008 494.

DISTRIBUTION PAYMENTS

Arena makes distribution payments on a quarterly basis, typically within six weeks of the quarter end. Details of the 2019 financial year distributions are provided in the table below.

FY19 distributions

Quarter ended	Payment date	Distribution amount (cps)
30 September 2018	8 November 2018	3.375
31 December 2018	7 February 2019	3.375
31 March 2019	9 May 2019	3.375
30 June 2019	8 August 2019	3.375

To ensure timely receipt of your distribution, please consider the following:

Direct credit

Arena requires investors to receive distribution payments by direct credit to their nominated bank account. To register or update your payment details you can log in and amend your details online, download the form from the registry website at boardroomlimited.com.au/investor-forms/ or call 1800 008 494 to request a form.

Dividend and distribution reinvestment plan

The dividend and distribution reinvestment plan (DRP) is currently in operation and allows investors to reinvest their distribution payments automatically into additional securities, without brokerage or other transaction costs. Participation is optional and investors can join, vary their participation or withdraw from the DRP at any time. Please visit the Investor Centre www.arena.com.au/Investor-Centre for further details.

Tax File Number (TFN) notification

You are not required by law to provide your TFN, Australian Business Number (ABN) or exemption status. However, if you do not provide your TFN, ABN or exemption status, withholding tax at the highest marginal rate for Australian resident members may be deducted from distributions paid to you. If you wish to update your TFN, ABN or exemption status, you can log in and amend your details online, download the form from the registry website at boardroomlimited.com.au/investor-forms/ or call 1800 008 494 to request a form. If you are a chess holder, please contact your sponsoring broker.

AMIT Member Annual Statement (AMMA Statement) and 2019 annual tax guide

An AMMA statement is dispatched to investors in August each year. To assist in completion of your tax return, Arena also publishes an annual tax guide each year. The 2019 tax guide is available for download from the Investor Centre www.arena.com.au/Investor-Centre.

INVESTOR FEEDBACK OR COMPLAINTS

If you have any complaints or feedback, please direct these in writing to:

Arena Investor Relations

Locked Bag 32002
Collins Street East
Melbourne VIC 8003

Telephone: 1800 008 494

Email: complaints@arena.com.au

If you make a complaint and do not receive a satisfactory outcome you may refer the complaint to the Australian Financial Complaints Authority (AFCA):

- > **Online:** www.afca.org.au
- > **Email:** info@afca.org.au
- > **Phone:** 1800 931 678 (free call)
- > **Mail:** Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

ARENA CALENDAR*

February

- > Half year results released
- > Distribution paid for quarter ended 31 December

May

- > Distribution paid for quarter ended 31 March

August

- > Annual results released
- > Distribution paid for quarter ended 30 June
- > Annual tax statements dispatched

September

- > Annual Report released
- > Notice of Annual General Meeting dispatched

November

- > Distribution paid for quarter ended 30 September
- > Annual General Meeting

*The dates listed above are indicative only and subject to change.

PRIVACY POLICY

Arena is committed to ensuring the confidentiality and security of investors' personal information. Arena's privacy policy, detailing how we handle personal information, is available on the Arena website www.arena.com.au

CORPORATE DIRECTORY

Arena REIT Limited

ACN 602 365 186

Arena REIT Management Limited (ARML)

ACN 600 069 761 AFSL 465754

PRINCIPAL PLACE OF BUSINESS

Level 5, 41 Exhibition Street
Melbourne VIC 3000

Phone: +61 3 9093 9000

Fax: +61 3 9093 9093

Email: info@arena.com.au

Website: www.arena.com.au

DIRECTORS

David Ross (Independent,
Non-Executive Chairman)

Rosemary Hartnett (Independent,
Non-Executive Director)

Simon Parsons (Independent,
Non-Executive Director)

Dennis Wildenburg (Independent,
Non-Executive Director)

Rob de Vos (Managing Director)

Gareth Winter (Executive Director of ARML)

COMPANY SECRETARY

Gareth Winter

AUDITOR

PricewaterhouseCoopers

2 Riverside Quay
Southbank VIC 3006

REGISTRY

Boardroom Pty Limited

Level 12, 225 George Street
Sydney NSW 2000

Telephone: 1300 737 760

INVESTOR INQUIRIES AND CORRESPONDENCE

Arena REIT

Locked Bag 32002
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Melbourne VIC 8003

Telephone: 1800 008 494

Website: www.arena.com.au

Email: info@arena.com.au

STOCK EXCHANGE LISTING

Arena REIT stapled securities are listed on the
Australian Securities Exchange (ASX)

