

ARENA REIT

2022 ANNUAL REPORT

Better Communities. Together.



Arena

For personal use only



CONTENTS

FY22 HIGHLIGHTS	4
CHAIR AND MANAGING DIRECTOR'S REPORT	6
PORTFOLIO SUMMARY	10
SUSTAINABILITY	12
FINANCIAL REPORT	15
Contents	16
Directors' report	17
Auditor's independence declaration	40
Consolidated financial statements	41
Notes to the consolidated financial statements	46
Directors' declaration	82
Independent auditor's report	83
ASX ADDITIONAL INFORMATION	88
INVESTOR INFORMATION	90
CORPORATE DIRECTORY	92



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 for the period 1 July 2021 to 30 June 2022. 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).

Arena REIT acknowledges the Traditional Custodians of the lands on which our business and assets operate, and recognises their ongoing connection to land, waters and community.

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.

Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions, or as to the reasonableness of any assumption, contained in this report. By receiving this report and to the extent permitted by law, you release Arena and its directors, officers, employees, agents, advisers and associates from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or any loss or damage arising from negligence) arising as a result of the reliance by you or any other person on anything contained in or omitted from this report.

This report is for information purposes only and should not be considered as a solicitation, offer or invitation for subscription, purchase or sale of securities in any jurisdiction, or to any person to whom it would not be lawful to make such an offer or invitation.

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 report 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.



FY22 HIGHLIGHTS

Arena REIT is an ASX200 listed group that develops, owns and manages 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.

\$1.52b

Total Assets
Up 32% on 30 June 2021

\$1.48b

Market capitalisation
As at 30 June 2022

\$334.3m

Statutory Net Profit
Up 102% on FY21

\$56.3m

Net Operating Profit
Up 8.4% on FY21

16.3¢

Earnings per security (EPS)
Up 7.2% on FY21

20.2%

Gearing
3.4 years weighted
average facility term

4.1%

Average like-for-like
rental growth

\$254.5m

Revaluation uplift
Up 23% on prior year
investment property value

16.0¢

Distributions per security (DPS)
Up 8.1% on FY21

19.4%

Per annum five year total
ASX return performance¹

\$3.37

Net Asset Value (NAV)
per security
Up 32% on 30 June 2021

77%

Interest rate hedge cover
4.3 years weighted average
hedge term

19.8yrs

Weighted average
lease expiry (WALE)

\$105m

Acquisitions and development
capital expenditure in FY22

1. UBS, UBS Australian REIT month in review, June 2022; ASX total return includes security price growth and reinvestment of distributions.

CHAIR AND MANAGING DIRECTOR'S REPORT

The COVID-19 pandemic continued to present challenges for our tenant partners during financial year 2022 (FY22) and more recently a changing economic environment arising from inflationary pressures, interest rate increases, wages pressures and staff shortages have combined to create further uncertainty.

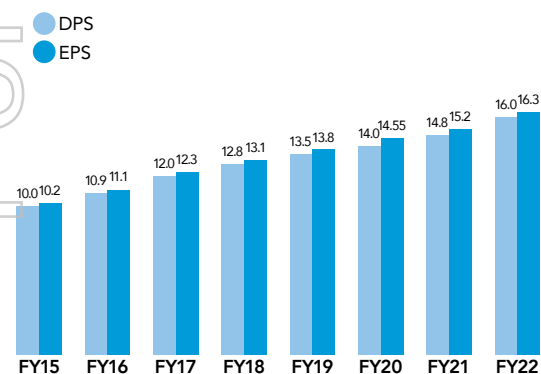
On behalf of the board of Arena REIT we acknowledge these challenges and express our gratitude to our tenant partners for their continued resilience and ability to deliver essential services to Australian communities and our team for their commitment and performance during FY22.

Despite ongoing uncertainty, we are confident in Arena's strategy, the strength of our portfolio and the important contribution the services we accommodate make to improving community outcomes.

Arena has produced strong earnings, distribution and capital growth, successfully delivered acquisitions and development completions, replenished the development pipeline, maintained the portfolio's long WALE and further improved our progress with regard to sustainability outcomes.

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 on our investment objectives.

Arena has delivered a three year ASX total return of 21.4% per annum compound and five year ASX total return of 19.4% per annum compound to 30 June 2022¹.



Earnings & distributions per security (cents)

3 year CAGR EPS 5.7% DPS 5.8%
5 year CAGR EPS 5.8% DPS 5.9%

NAV per security (\$)

3 year CAGR 17.1%
5 year CAGR 12.9%

Portfolio WALE (years)

3 year CAGR 17.1%
5 year CAGR 12.9%

FINANCIAL RESULTS

Positive investment outcomes

Arena's net operating profit increased by 8.4% to \$56 million in FY22. Key contributors to higher operating income included the acquisition of operating early learning centre (ELC) properties and development projects completed during financial year 2021 (FY21) and FY22 and growth in contracted annual and market rent reviews. The result represents EPS of 16.3 cents, an increase of 7.2% over the prior year. Arena has paid a full-year distribution of 16 cents per security, an increase of 8.1% on the prior year. Statutory net profit for the year was \$334 million, an increase of 102% on the prior year.

Arena's total assets increased by 32% to \$1.52 billion as a result of acquisitions, development capital expenditure



Left to Right: David Ross, Rob de Vos.

and the positive revaluation of the portfolio. The revaluation uplift was the primary contributor to the 32% increase in NAV per security to \$3.37 at 30 June 2022.

PORTFOLIO OVERVIEW

Investment proposition and partnership approach drives sustainable and commercial outcomes

Sustainability is integral to Arena's investment approach and best positions Arena to achieve positive long term commercial and community outcomes.

Arena's portfolio facilitates access to essential community services with positive social impact:

- ▶ ELCs provide early childhood education and care which allows parents and carers the opportunity to remain in, join or re-join the workforce.
- ▶ Medical centres provide local, community-based primary health care services.
- ▶ Specialist disability accommodation is designed to provide a better quality of life for residents with high physical support needs.

Key sustainability outcomes detailed in Arena's FY22 Sustainability Report include:

- ▶ Active collaboration with tenant partners on sustainability initiatives.

"Arena continues to operate well within its banking covenant requirements. We have expanded our liquidity while maintaining hedging discipline through the cycle with sustained capacity to pursue investments consistent with strategy."

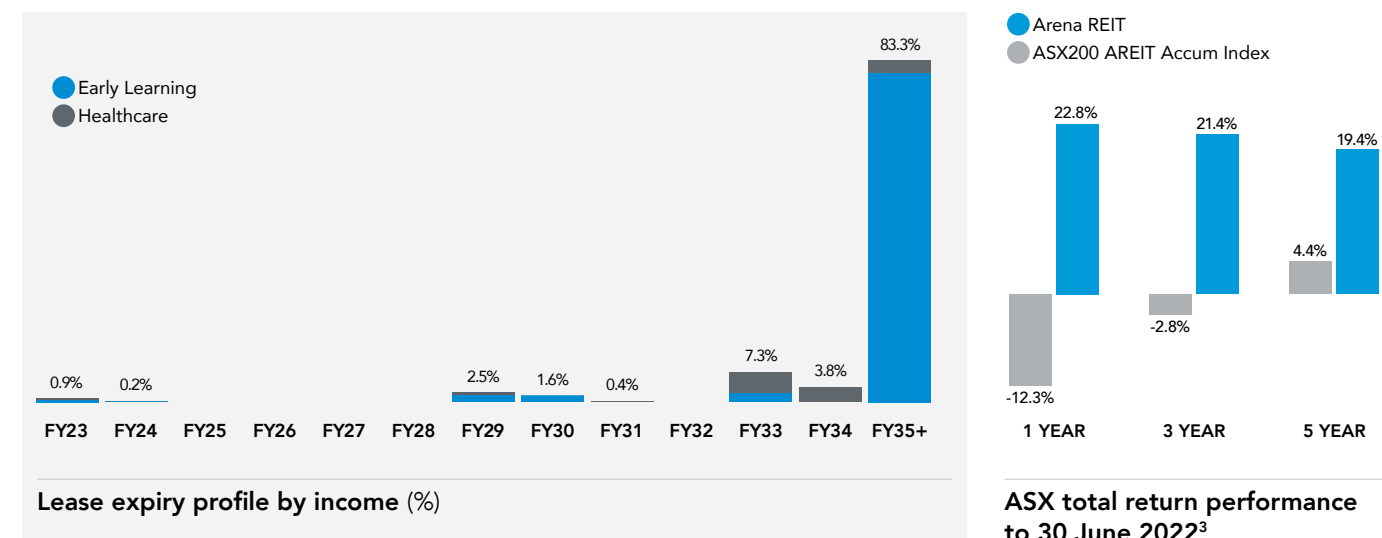
- ▶ Solar renewable energy systems installed on 80% of Arena's property portfolio.
- ▶ Climate action plan including greenhouse gas inventory of Arena's financed emissions.
- ▶ Inaugural TCFD-aligned climate risks and opportunities disclosures.
- ▶ Arena REIT certified carbon neutral by Climate Active for business operations in 2021-2022.
- ▶ Analysed operations and supply chains to voluntarily opt into Modern Slavery reporting.

Like-for-like rent review increase of 4.1%

100% of contracted rent has been receipted for the period 1 July 2021 to 30 June 2022 and rent reviews during the year resulted in an average like-for-like rent increase of 4.1%.

Long WALE of 19.8 years

Occupancy was maintained at 100% and the portfolio's existing long WALE was maintained at 19.8 years following the acquisition of seven operating ELC properties with an initial weighted average lease expiry of 24.1 years, the completion of six ELC developments with an initial weighted average lease expiry of 20.8 years and a series of leases were extended to facilitate installation of solar renewable energy systems.



2. Refer Arena REIT (ASX: ARF) ASX Announcement Market Update 29 July 2021.

3. UBS, UBS Australian REIT month in review, June 2022; ASX total return includes security price growth and reinvestment of distributions, Index is S&P ASX200 (GICS) AREIT accumulation index.

Acquisitions and development project completions in FY22

Seven operating ELC properties were acquired at an average net initial yield of 5.4% on total cost, with an initial weighted average lease expiry of 24.1 years. Six ELC developments were completed at an average net initial yield on total cost of 6.4%, with an initial weighted average lease expiry of 20.8 years.

Asset recycling underpins ongoing quality of portfolio

Two ELC properties were divested during FY22 at an average premium of 15% to book value with proceeds reinvested into the development pipeline.

Portfolio composition

At 30 June 2022, Arena's property portfolio comprised 252 ELC properties and development sites (88% of portfolio by value) and 11 healthcare properties (12% of portfolio by value).

Portfolio revaluation uplift of \$254 million

96 ELC properties and six healthcare properties were independently valued throughout FY22. Director valuations were performed on investment properties not independently valued as at 30 June 2022. A revaluation uplift of \$254 million was recorded for the period, equivalent to an increase of 23% on the prior year property value.

The portfolio's weighted average passing yield firmed 86 basis points to 4.91%. The weighted average passing yield on the ELC portfolio firmed 94 basis points to 4.90% and the healthcare portfolio firmed 32 basis points to 5.02%.

PORTFOLIO OVERVIEW

	Number of assets	30 June 2022 valuation	Net valuation movement versus 30 June 2021	30 June 2022 passing yield	Change versus 30 June 2021
	No.	\$m	\$m	%	bps
ELC portfolio	252	1,287.6	+232.1	+24.2	4.90 (94)
Healthcare portfolio	11	174.3	+22.4	+14.6	5.02 (32)
Total portfolio	263	1,461.9	+254.5	+22.9	4.91 (86)

ACQUISITIONS AND DEVELOPMENT COMPLETIONS

	Number of properties	Total cost	Initial yield on total cost	Initial weighted average lease term
	No.	\$m	%	years
Operating ELC acquisitions	7	47.4	5.4	24.1
ELC development completions	6	35.9	6.4	20.8
Total/weighted average	13	83.3	5.8	22.5

Development pipeline of \$139 million⁴

The development pipeline comprises 20 ELC projects with a forecast total cost of \$139 million, with \$88 million of capital expenditure outstanding as at balance date. The forecast weighted average initial yield on total anticipated cost for the development pipeline is 5.5%.

CAPITAL MANAGEMENT

Increase in borrowing facility and extension of facility tranche

Arena increased its syndicated borrowing facility by \$100 million and extended an \$130 million facility tranche from 31 March 2023 to 31 March 2026 during FY22; the weighted average remaining facility term was 3.4 years at 30 June 2022 with no debt expiry until March 2024. Arena's weighted average cost of debt was 2.9% as at 30 June 2022 compared with 2.65% as at 30 June 2021.

Capacity to fund new opportunities

At 30 June 2022, Arena's gearing was 20.2%⁵ with in excess of \$100 million of undrawn debt capacity as at balance date to fund the balance of the development capital expenditure of \$88 million and future growth opportunities.

OUTLOOK

ELC sector update

Government support was improved by the introduction of Childcare Subsidy (CCS) in July 2018 and the essential nature of the services provided by the ELC sector was reinforced through the various COVID-19 related funding commitments⁶.

“Arena’s portfolio of social infrastructure properties facilitates access to essential community services with positive social impact. Strong macroeconomic themes underpin Arena’s value proposition which provides long term income predictability with the prospect of income growth with inflation protection. Our investment and capital management discipline sees us well positioned to consider new opportunities that are consistent with strategy and deliver on Arena’s investment objective.”

Australia’s new Labor Federal Government has committed to further reduce the cost of childcare⁷ by lifting the maximum CCS rate to 90% for the first child in care, and to keep the recently increased CCS rate at a maximum of 95% for subsequent children in care. The Government also intends to reduce the rate at which the CCS tapers with household income and lift the maximum household income per annum at which the CCS ends from \$354,305 to \$530,000. These measures have been designed to improve workforce participation, gender equality, women’s financial security and economic activity over the medium to long term⁸.

Strong structural demand for services and a record female workforce participation rate continue to drive increased long day care participation rates over the medium to long term^{9,10}.

Arena’s healthcare portfolio continues to perform well

Strong structural macro-economic drivers continue to support Australian healthcare accommodation, including a growing and aging population and an increased population and increased prevalence of chronic health conditions.

The PHC Darlinghurst medical centre was sold¹¹ at a 3.7% net initial yield and the net proceeds were returned to investors during FY22; PHC Syndicate investors realised a compound annual total return of 13.4% over their 20 year investment period.

Healthcare properties remain strongly sought after, with increased domestic and international interest in Australian healthcare property and increasing interest in social infrastructure property more generally. Strong occupancy has been maintained across the specialist disability accommodation portfolio.

Better communities. Together.

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

Arena’s team

Arena’s management team has specialist asset management and development expertise and a strong track record that includes the successful delivery of 60 development projects over the past ten years at a total cost of \$298 million.

Arena’s Culture and Remuneration Committee engaged an independent advisor to undertake an independent remuneration review to reflect the growth and scale of the business and current market conditions. The review was completed during FY21 for implementation in FY22; full details are outlined in the Remuneration Report.

Arena remains well positioned to navigate ongoing and emerging economic challenges and to consider new opportunities that are consistent with strategy and Arena’s investment objective of delivering an attractive and predictable distribution to investors with earnings growth prospects over the medium to long term.

On behalf of the Board we would like to thank our investors, tenant 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 and look forward to welcoming you at our Annual General Meeting being held on 24 November 2022.

Yours sincerely,

David Ross

David Ross
Chair

Rob de Vos

Rob de Vos
Managing Director

4. Includes five ELC developments that are contracted subject to planning or other conditions precedent.

5. Gearing calculated as ratio of net borrowings over total assets less cash.

6. <https://www.dese.gov.au/covid-19/childcare>; <https://ministers.dese.gov.au/>

7. https://www.alp.org.au/policies/women_economic_recovery

8. <https://grattan.edu.au/wp-content/uploads/2020/08/Cheaper-Childcare-Grattan-Institute-Report.pdf>

9. ABS Labour Force status (husband, wife or partner, or lone parent, with dependent children).

10. Australian Government ‘Early Childhood and Child Care in Summary’ Reports 2012-2020.

11. PHC Darlinghurst medical centre was owned by two unlisted property vehicles that were managed by Arena.



PORTFOLIO SUMMARY

AS AT 30 JUNE 2022

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

263

Total Properties

- 237 Early Learning Centres
- 11 Healthcare
- 15 ELC developments

\$1.46b

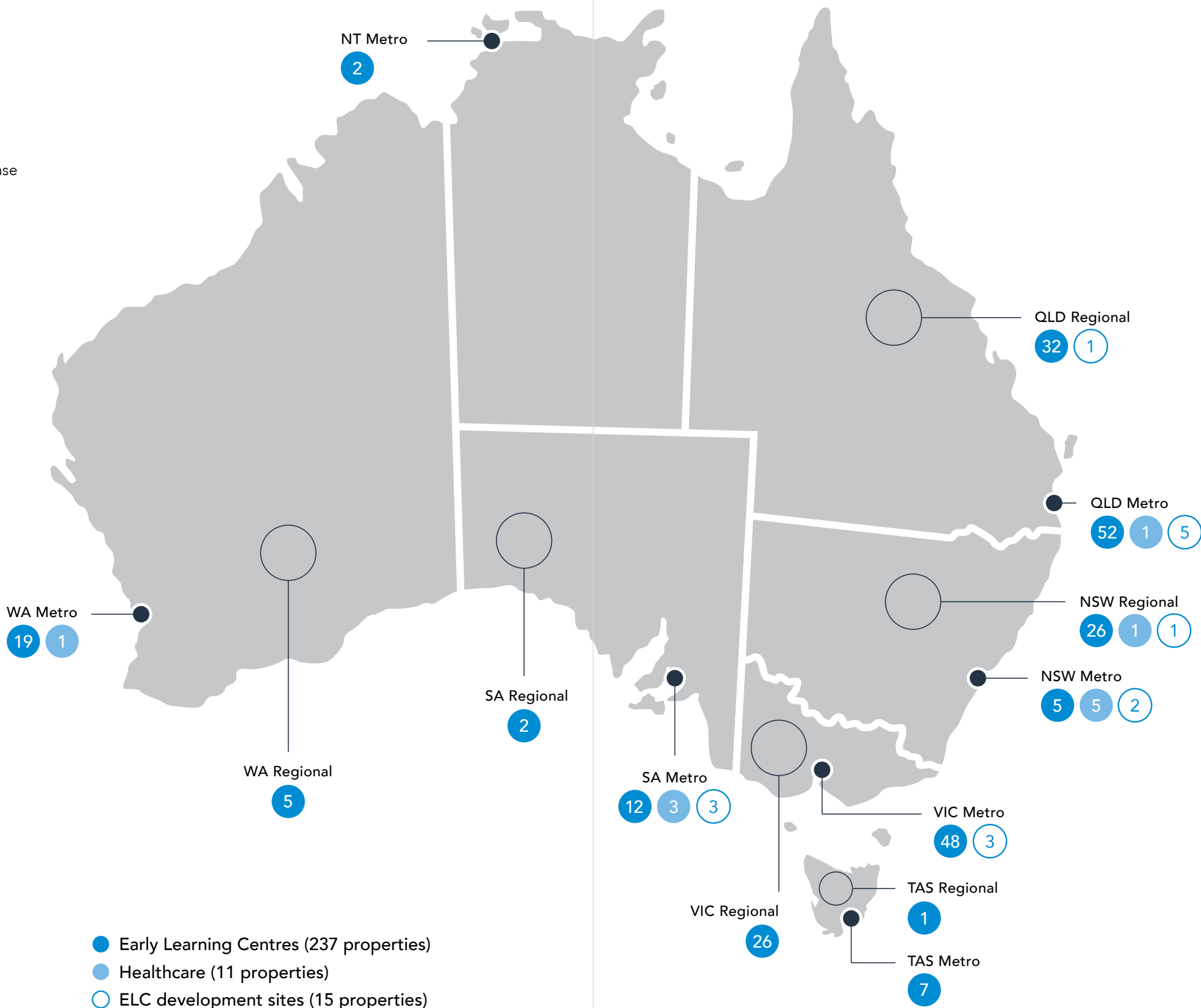
Total Portfolio Value

- \$1.29b Early Learning Centres
- \$174m Healthcare

19.8yrs

WALE

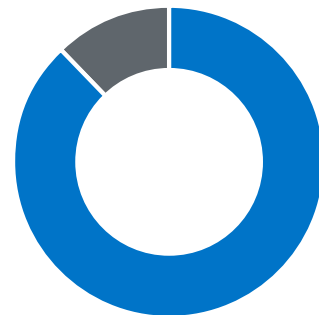
- 21.1 years Early Learning Centres
- 10.9 years Healthcare



- Early Learning Centres (237 properties)
- Healthcare (11 properties)
- ELC development sites (15 properties)

Sector Diversification

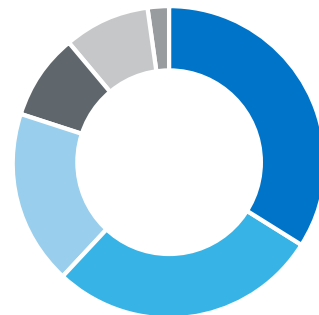
By value (%)



- Early Learning 88%
- Healthcare 12%

Geographic Diversification

By value (%)*



- QLD 34%
- VIC 28%
- NSW 18%
- WA 9%
- SA 9%
- TAS 2%
- NT 0%

Tenant Diversification

By income (%)



- Goodstart 25%
- Green Leaves 17%
- ForHealth 9%
- Affinity 9%
- Edge 9%
- G8 Education 5%
- Aspire 3%
- Petit 3%
- SACare 2%
- YMCA 2%
- Other 14%

*Totals may not sum due to rounding



SUSTAINABILITY

MATERIAL ISSUES

During FY21 Arena undertook an independent external assessment of Arena’s material issues. The materiality assessment for Arena identified:

- ▶ The issues, sustainability risks and opportunities that are most critical to Arena;
- ▶ Topics large investors and ESG rating agencies consider material to Arena;
- ▶ The Global Reporting Initiative Standards topic standards considered most material to Arena by peers and investors;
- ▶ The issues identified by the Sustainability Accounting Standards Board framework most relevant to the Real Estate industry sub-sector; and
- ▶ Additional disclosures global investors want to see from companies in which they invest. This includes aligning with the United Nations Sustainable Development Goals (UN SDGs), the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) and the 2018 Modern Slavery Act.

The recommendations of the independent external assessment and longer-term governance action plan also undertaken in FY21 have guided the development of Arena’s Sustainability Framework which sets out our key sustainability issues, our approach to these issues and how they align with the UN SDG’s.

Arena has separately issued and published on its website, its 2022 Sustainability Report which provides detail on our commitment to strategies that address sustainability challenges faced by Arena and Arena’s stakeholders and identifies opportunities to progress positive change. We have made good progress on our goals during the reporting period and have detailed additional short and medium term goals for ongoing action and future reporting.

View Arena’s Sustainability Report for the 2022 Financial Year at: www.arena.com.au/about/sustainability.

2022 HIGHLIGHTS

PARTNERSHIPS FOR CHANGE Collaborated with tenant partners on appropriately identified sustainability initiatives.	Our annual tenant partner survey indicates a POSITIVE AND IMPROVING VIEW OF ARENA as compared to other landlords.	Two tenant partner workshops were held in order to SHARE LEARNINGS ON APPROPRIATE SUSTAINABILITY ISSUES	
ENVIRONMENT Ongoing improvement in our actions, disclosures and commitments to material environmental issues.	SOLAR RENEWABLE ENERGY SYSTEMS INSTALLED ON 80% OF ARENA’S PROPERTY PORTFOLIO	DEVELOPED CLIMATE ACTION PLAN including greenhouse gas inventory of Arena’s financed emissions	DISCLOSED INAUGURAL TCFD-ALIGNED CLIMATE RISKS AND OPPORTUNITIES
SOCIAL Continued to implement and report on improvements in support of our material social issues.	STRONG PERFORMANCE IN EXTERNALLY BENCHMARKED TEAM ALIGNMENT AND ENGAGEMENT SURVEY ▶ Scored in the top decile for Alignment; and ▶ Scored in the top quartile for Engagement.		
GOVERNANCE Continued to review and refine company policies and procedures for managing risks in support of our material governance issues.	Analysed operations and supply chains to VOLUNTARILY OPT INTO MODERN SLAVERY REPORTING	Continued to review and refine company specific POLICIES AND PROCEDURES FOR MANAGING ESG RISKS including introduction of ▶ Anti-Bribery and Corruption Policy; and ▶ Information Technology Security Policy	

ARENA’S SUSTAINABILITY FRAMEWORK

PARTNERSHIPS FOR CHANGE Due to the nature of Arena’s triple net leases, tenant partners maintain operational control of our properties, accordingly our overarching approach to sustainability is ‘Partnerships for change’. Arena is committed to collaborative business partnerships and strives to be an ‘accommodation provider of choice’.							
	ENVIRONMENT		SOCIAL			GOVERNANCE	
KEY ISSUES	Climate resilience	Resource efficiency	Our team	Our tenant partners	Our communities	Responsible governance	Supply chain sustainability
APPROACH	We are committed to identifying and managing climate change risks and opportunities and maximising our resilience in the transition to a low carbon economy.	We are committed to investing in renewable energy and improving the efficiency of our use of natural resources.	We are committed to creating a working environment where our team members can work efficiently, feel valued and appreciated and engage and collaborate to deliver beneficial and sustainable outcomes.	We work with our tenant partners to invest the capital necessary to provide efficient, flexible and well-located accommodation at sustainable rents, allowing them to focus on their core purpose to deliver essential services to communities throughout Australia.	Our social infrastructure properties facilitate access to services which provide material benefits, both social and financial, to local communities and society more generally.	We are committed to the highest level of integrity and ethical standards, complying with all applicable laws and regulations and effective, accountable and transparent risk management practices, policies and procedures.	We are committed to strengthening the management of our modern slavery risks.



In compliance with ASX Listing Rule 4.10.3, Arena has separately issued and published on its website, its 2022 Corporate Governance Statement which discloses the extent to which Arena has followed the recommendations for good corporate governance set by the ASX Corporate Governance Council (Corporate Governance Principles and Recommendations 4th Edition) during the reporting period.

View Arena’s key policies and the Corporate Governance Statement for the 2022 Financial Year at: www.arena.com.au/about/governance.

For personal use only



ARENA REIT

2022 FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

CONTENTS

DIRECTORS' REPORT	17
AUDITOR'S INDEPENDENCE DECLARATION	40
FINANCIAL STATEMENTS	41
Consolidated statement of comprehensive income	41
Consolidated balance sheet	42
Consolidated statement of changes in equity	43
Consolidated statement of cash flows	44
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	46
DIRECTORS' DECLARATION	82
INDEPENDENT AUDITOR'S REPORT	83
CORPORATE DIRECTORY	92

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 32, 8 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 2022. 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 (Chair) (Independent, non-executive)
- ▶ Rosemary Hartnett (Independent, non-executive)
- ▶ Simon Parsons (Independent, non-executive)
- ▶ Dennis Wildenburg (Independent, non-executive)
- ▶ Rob de Vos (Executive)

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

- ▶ David Ross (Chair) (Independent, non-executive)
- ▶ Rosemary Hartnett (Independent, non-executive)
- ▶ Simon Parsons (Independent, non-executive)
- ▶ Dennis Wildenburg (Independent, non-executive)
- ▶ Rob de Vos (Executive)
- ▶ 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:

	2022	2021	2022	2021
	\$'000	\$'000	cps	cps
September quarter	13,629	12,363	3.950	3.625
December quarter	13,651	12,735	3.950	3.725
March quarter	14,017	12,772	4.050	3.725
June quarter	14,040	12,801	4.050	3.725
Total distributions to securityholders	55,337	50,671	16.000	14.800

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 / childcare services;
- ▶ Healthcare - including medical centres, diagnostic facilities, hospitals, aged care and associated facilities;
- ▶ Education - including schools, colleges and universities and associated facilities.

In preparing its financial statements, the Group has considered the current and ongoing impact the COVID-19 pandemic has on its business operation and key estimates.

During the year, the COVID-19 pandemic did not have a material impact on the Group as all of the Group's properties remained in operation and Government support was provided to the tenants.

The uncertainty of the impact of COVID-19 has been considered in the valuation of investment properties. Refer to note 8 for more information on the Group's valuation approach. The Group has also assessed the impact of COVID-19 on its carrying values of other assets and liabilities. Specific areas of assessment include the measurement and classification of trade receivables (note 7), recoverability of the carrying amount of goodwill (note 9) and associated disclosures within the financial statements.

KEY FINANCIAL METRICS

	30 June 2022	30 June 2021	Change
Net profit (statutory)	\$334 million	\$165 million	102%
Net operating profit (distributable income)	\$56 million	\$52 million	8.4%
Distributable income per security	16.30 cents	15.20 cents	7.2%
Distributions per security	16.00 cents	14.80 cents	8.1%
Total assets	\$1,519 million	\$1,152 million	32%
Investment properties	\$1,462 million	\$1,112 million	31%
Borrowings	\$324 million	\$240 million	35%
Net assets	\$1,169 million	\$879 million	33%
NAV per security	\$3.37	\$2.56	32%
Gearing *	20.2%	19.9%	+ 30 bps

* Gearing calculated as Net Borrowings / Total assets less Cash.

FY22 HIGHLIGHTS

- ▶ Net statutory profit was \$334 million, up 102% on the prior year. This is primarily due to the increase in net operating profit (refer below), a higher investment property revaluation gain compared to the prior year, and a higher revaluation gain on derivatives;
- ▶ Net operating profit was \$56 million, up 8.4% on the previous year, primarily driven by the increase in rental income arising from periodic rent reviews, lease commencements on completion of ELC developments and new acquisitions;
- ▶ COVID-19 rent relief arrangements have previously been reached with all tenants where appropriate. All tenants were in compliance with rent relief arrangements including the collection of deferred rent;
- ▶ Distributions for the year were 16.0 cents per security, up 8.1% on the prior year;
- ▶ NAV per security at 30 June 2022 was \$3.37, an increase of 32% on 30 June 2021. This was primarily due to an increase in the value of investment properties;
- ▶ Gearing was 20.2% at 30 June 2022, up from 19.9% at 30 June 2021;
- ▶ The property portfolio increased with the addition of 9 Early Learning Centre ('ELC') development sites and 7 operational ELCs. During the year, 6 ELC developments reached practical completion; 2 operating ELCs were sold during the year with sale proceeds of \$10 million.

FINANCIAL RESULTS

	30 June 2022	30 June 2021
	\$'000	\$'000
Property income	66,585	59,808
Other income	652	541
Total operating income	67,237	60,349
Property expenses	(791)	(602)
Operating expenses	(4,899)	(4,382)
Finance costs	(5,220)	(3,422)
Net operating profit (distributable income) *	56,327	51,943
Non-distributable items:		
Investment property revaluation and straight-lining of rent	254,486	107,651
Change in fair value of derivatives	24,478	4,949
Profit/(loss) on sale of investment properties	1,023	1,909
Transaction costs	(541)	(39)
Amortisation of equity-based remuneration (non-cash)	(1,135)	(983)
Other	(350)	(79)
Statutory net profit	334,288	165,351

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

FINANCIAL RESULTS SUMMARY

	30 June 2022	30 June 2021
Net operating profit (distributable income) (\$'000)	56,327	51,943
Weighted average number of ordinary securities ('000)	345,469	341,774
Distributable income per security (cents)	16.30	15.20

- 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 cashflow.
- 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 ELC developments completed during the year;
 - Commencement of rental income following the acquisition of 7 operational ELCs during the year; and
 - The full year effect of acquisitions and developments completed during FY21.
- Non-distributable items primarily increased due to a higher gain on revaluation of investment property and gain on revaluation of interest rate hedges compared to the prior year.

INVESTMENT PROPERTY PORTFOLIO

Key Property Metrics

	30 June 2022	30 June 2021
Total value of investment properties	\$1,462 million	\$1,112 million
Number of properties under lease	248	237
Development sites	15	12
Properties available for lease or sale	-	-
Total properties in portfolio	263	249
Portfolio occupancy	100%	100%
Weighted average lease expiry (WALE)	19.8 years	14.4 years

- The increase in the value of investment properties is primarily due to the addition of:
- Property acquisition, development and capital expenditure of \$105 million; and
 - A net revaluation increment to the portfolio of \$254 million for the year, inclusive of straight-lining of rent accrual.
- Offset by the following investment property disposals during the year:
- 2 operating ELCs were sold during the year with sale proceeds of \$10 million.
- Increase in WALE of 5.4 years due to lease extensions agreed with tenant partners and new long term leases commencing on development completions.

CAPITAL MANAGEMENT

Equity

- During the year, 2.3 million securities were issued at an average price of \$4.29 to raise \$10 million of equity pursuant to the Distribution Re-investment Plan (DRP).

Bank facilities & gearing

- The Group refinanced its syndicated debt facility during the year, increasing the facility limit by \$100 million to \$430 million and extending the maturity dates. The Group has a \$150 million facility expiring 31 March 2024, a \$130 million facility expiring 31 March 2026 and a \$150 million facility expiring 31 March 2027, providing a remaining weighted average term of 3.4 years as at 30 June 2022;
- The balance drawn increased by \$84 million to fund acquisitions and development capital expenditure;
- Gearing was 20.2% at 30 June 2022 (30 June 2021: 19.9%);
- The Group was fully compliant with all bank facility covenants throughout FY22 and as at 30 June 2022. At 30 June 2022 the Loan to Valuation Ratio was 26.5% (Covenant: 50%) and the Interest Cover Ratio was 6.8 times (Covenant: 2.0 times).

Interest rate management

- 77% of borrowings are hedged for a weighted average term of 4.3 years (2021: 81% for 4.4 years). The average swap fixed rate is 1.68% (2021: 1.67%).

FY23 OUTLOOK

The Group has provided FY23 distribution guidance of 16.8 cents per security, which represents an increase of 5% on FY22.

FY23 distribution guidance is estimated on a status quo basis, assuming no new acquisitions or disposals, all developments in progress are completed in line with forecast assumptions, tenants comply with their existing or adjusted lease obligations and is based on Arena's current assessment of the future impact of the COVID-19 pandemic (which is subject to a wide range of uncertainties) and assumes ongoing government support of the early learning sector.

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

No material events have occurred since 30 June 2022 that have affected, or may materially 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.

DIRECTORS' REPORT

CONTINUED

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.

COVID-19

The COVID-19 pandemic has significantly impacted the Australian and global economy and the ability of individuals, companies and governments to operate. There is uncertainty as to the duration and further impact of COVID-19 on the ASX and wider securities markets, the Group and the tenants of the Group's properties.

These factors could have a major impact on the Group's operations, performance and growth. The Government's measures to limit the transmission of the virus (including vaccinations, social distancing, quarantine policies, and restrictions on the operation of non-essential services) have resulted in major disruptions to business, the Australian and wider global economy.

The extent of the impact on the Group's operations, financial performance and cash flow is dependent on future factors which are uncertain and outside of the control of the Group. These factors could have a material adverse effect on the overall economy and impact upon the Group's business and financial performance.

The significance of the impact of COVID-19 on the Group will largely depend upon the extent to which the Group's tenants, and their ability to pay rent, is impacted by COVID-19.

Macroeconomic risk

The operations and performance of the Group is influenced by the macroeconomic condition of the Australian and the wider global economy. A prolonged economic downturn and its related effects, including increasing rates of unemployment, in addition to other factors such as inflation and rising interest rates, could have a material adverse impact on the Group's business or financial performance including asset valuations, income, expenses and cashflows.

Concentration risk

The Group's property portfolio is presently 88% invested in ELCs and ELC development sites and 12% in healthcare assets. Adverse events to the early learning and/or healthcare property sectors may result in general deterioration of tenants' ability to meet their lease obligations and the future growth prospects of the portfolio.

As at 30 June 2022, 51% of the portfolio by income (excluding developments) is leased to the largest three tenants (Goodstart Early Learning Ltd 25%, Green Leaves Group Ltd 17%, and Idameneo (No. 123) Pty Ltd 9% (a controlled entity of BGH Capital Fund No. 1 formerly owned by Healius Ltd)). Any material deterioration in the operating performance of the Group's tenants may result in them not meeting their lease obligations which could reduce the Group's income and portfolio value if a suitable replacement cannot be found.

Tenant risk

The Group relies on tenants to generate its revenue. Tenants may be not-for-profit companies, 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. The COVID-19 pandemic has heightened this risk, with high COVID-19 case numbers potentially affecting operating conditions through labour disruption.

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, as security for their performance under the lease. Refer to note 8(d) for further details on tenancy risk for the portfolio.

Government policy risk and change in law

Childcare and healthcare operators rely heavily on government funding which, if reduced or otherwise modified, may adversely impact the underlying demand for these services and therefore tenants' ability to meet lease obligations and/or their demand for these properties. There is a risk that there may be material adverse changes in legislation, government policies or legal or judicial interpretation relating to the childcare and/or healthcare sectors.

Property valuations

Changes in the property market, especially changes in the valuation of properties and in market rents, may adversely affect the Group's financial performance and the price of ARF securities.

INFORMATION ON DIRECTORS



Left to Right: Gareth Winter, David Ross, Rob de Vos, Rosemary Hartnett, Dennis Wildenburg, Simon Parsons.

The directors at the date of this report are:

David Ross, Independent Non-Executive Chair

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, an Associate Diploma in Valuation 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.

Rosemary Hartnett, Independent Non-Executive Director

Rosemary has over 30 years' experience in the Australian property sector and extensive senior management experience in property finance and is the Chair and an independent director of ISPT Pty Ltd (ISPT), a director of International Property Funds Management Pty Ltd (IPFM) and a director of Fanplayr Inc. Her former roles include senior property finance executive and a fund manager for trading and investment banks, including Macquarie Bank, ANZ and NAB.

Rosemary holds a Bachelor of Business in Property (Valuations) and is a Member of the Australian Institute of Company Directors (MAICD). She was previously an independent director of Aconex and Wallara Australia and Chief Executive Officer of Housing Choices Australia, one of the country's leading registered housing associations.

Other current directorships: ISPT Pty Ltd, International Property Funds Management Pty Ltd, Fanplayr Inc.

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 a range of leading property-focused companies including Parsons Hill Stenhouse, Property Investment Research, Colliers International and Jones Lang Wootton (now Jones Lang LaSalle).

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 the Australian Institute of Company Directors (FAICD).

Other current directorships: None.

Former directorships in last 3 years: None.

DIRECTORS' REPORT
CONTINUED

INFORMATION ON DIRECTORS CONTINUED

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

Dennis has over 35 years' experience in the financial services, funds management and property industries.

His former roles include Director of MLC Funds Management Limited, member of the Lend Lease Group board that managed GPT and an Associate Director of Hill Samuel Australia Limited (now Macquarie Group Limited).

Dennis is a member of Chartered Accountants Australia and New Zealand, a Fellow of the Australian Institute of Company Directors (FAICD) and has served on the Board of Property Funds Australia and the Investment Committee of the Mirvac PFA Diversified Property Trust.

Other current directorships: None.

Former directorships in last 3 years: Investa Wholesale Funds Management Limited; ICPF Holdings Limited.

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. Rob's experience in social infrastructure property investment spans over 15 years, and he is recognised as a market leader in the development and management of high performing specialised property investment funds. 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 a Diploma of Financial Markets and a Diploma of Property Operations.

Other current directorships: None.

Former directorships in last 3 years: None.

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

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 2022, and the number of meetings attended by each director were:

	ARL Board		ARML Board		Audit Committee		Nomination Committee		Culture & Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
David Ross	10	10	12	12	11	11	3	3	6	6
Rosemary Hartnett	10	10	12	12	11	11	3	3	6	6
Simon Parsons	10	10	12	12	11	11	3	3	6	6
Dennis Wildenburg	10	10	12	12	11	11	3	3	6	6
Rob de Vos	10	10	12	12	*	*	*	*	*	*
Gareth Winter	*	*	12	12	*	*	*	*	*	*

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

Introduction from the Chair of the Culture and Remuneration Committee

Dear Securityholder,

On behalf of the Culture and Remuneration Committee (Committee) and the Board, I am pleased to present the Remuneration Report for the financial year ended 30 June 2022. The Report sets out our remuneration strategy and outcomes for Key Management Personnel (KMP) comprising the Executive KMP and the independent non-executive directors (NED) and has been prepared and audited in accordance with the requirements of the Corporations Act and Regulations.

The COVID-19 pandemic continued to present challenges during FY22 and more recently a rapidly changing economic environment arising from inflationary pressures, interest rate increases, wages pressures and staff shortages have combined to create further uncertainty.

In response, Arena's leadership team and staff have demonstrated outstanding performance and resilience in delivering growth and the progression of Arena's strategy. Arena has worked with its tenant partners and other stakeholders throughout the year in delivering support and sustainable outcomes.

The Committee has also focused on the health and well-being of our team members as they again spent a considerable portion of the year working remotely under lockdown conditions. The Committee and Board recognises the ongoing contribution and positivity of our management team in difficult circumstances.

FY22 Highlights

- ▶ 7% growth in earnings per security and 8% growth in distributions per security;
- ▶ 3 Year TSR of 69% ranked 1st in Arena's ASX300 AREITs LTI comparator group;
- ▶ High level of retention, team alignment and engagement;
- ▶ Substantial advancement in sustainability goals including improved sustainability research ratings and Arena has been certified carbon neutral by Climate Active for business operations in 2021-2022.

FY22 Remuneration Framework

As reported in last year's Remuneration Report, the Committee engaged an independent advisor in the second half of FY21 to undertake a comprehensive review of Arena's remuneration framework, including:

- ▶ benchmarking key elements of remuneration policy;
- ▶ the structure of incentive plans and performance hurdles;
- ▶ remuneration mix; and
- ▶ benchmarking Executive KMP and Board remuneration against comparable roles and organisations identified by the independent advisor.

Arena's key remuneration objectives are to attract, retain and incentivise talent by providing market competitive rewards with incentive opportunity designed to align remuneration with performance and strategy and to guide the behaviour and actions of Executive KMP.

Accordingly, it is Arena's practice to set fixed remuneration at or near the median of comparable roles and set total target remuneration, including at risk performance based short term and long term incentives, around the 75th percentile of comparable roles. In the period since the previous independent review (in FY17 for implementation in FY18) to the most recent independent review conducted in the second half of FY21, Arena experienced significant growth across various measures including a 60% increase in property income, an 85% increase in total assets and a 134% increase in market capitalisation.

The comparator group identified by the independent advisor for the purposes of the Executive KMP benchmark review comprised 16 ASX listed REITs and companies with similar market capitalisation and complexity.

The review confirmed that Arena's remuneration policies and practices were largely in accordance with expectations of contemporary market practice and that of comparable organisations. The Committee undertook a thorough review of the independent advisors reports and benchmarking data and adopted changes to remuneration to address talent retention in an increasingly competitive market and the progression of Arena's strategy in a complex and challenging environment. These changes were implemented in FY22 as reported in last year's Remuneration Report and described in this Report. Key changes were:

- ▶ The CEO's remuneration was recognised as being below benchmark and was adjusted to better reflect market comparatives. More than 55% of Executive KMP total target remuneration is at risk and subject to short term and long term performance hurdles;

REMUNERATION REPORT CONTINUED

FY22 Remuneration Framework *continued*

- ▶ The allocation of LTI Performance Rights was changed to a face value methodology to be consistent with contemporary market practice. The LTI remuneration amount of each LTI recipient was adjusted so they were neither advantaged nor disadvantaged because of the change in methodology;
- ▶ The Board Chair's fee and Board Committee fees were recognised as being below benchmark and were adjusted to better reflect market comparatives; and
- ▶ The total approved remuneration pool for Independent Directors (set in 2014) was recognised as being below benchmark and did not provide capacity to allow for the orderly succession of directors, board diversity or future fee growth. Securityholders approved an increase in the fee pool to \$1 million at Arena's Annual General Meeting held in November 2021.

FY22 Remuneration Outcomes

The remuneration outcomes in FY22 reflect Arena's strong financial performance of 7.2% earnings per security growth and 8.1% distribution per security growth and strong operational outcomes achieved notwithstanding challenging conditions.

Executive KMP were awarded 97.5% of their target Short Term Incentive (STI) which reflects:

- ▶ the delivery of above target distribution per security growth and earnings growth in FY22 and business initiatives implemented in FY22 to support a minimum distributable earnings per security (DIS) growth target in FY23; and
- ▶ the performance of Executive KMP in respect of non-financial objectives.

The FY20 Long Term Incentive (LTI) was tested as at 30 June 2022 and will fully vest as:

- ▶ Arena's FY22 DIS of 16.3 cents per security (representing a 5.7% compound annual growth rate (CAGR) over the three year performance period) exceeded the high hurdle of 16.0 cents per security (target of 5.1% CAGR); and
- ▶ Arena's TSR of 69% (equivalent to a 19% CAGR) for the three year period ended 30 June 2022 ranked 1st (the 100th percentile) amongst the comparator group comprising the 28 A-REITs (including Arena) in the ASX300 REIT index at 1 July 2019.

Approach to FY23 Remuneration Framework

There are no changes to the remuneration framework proposed in FY23. Following Arena's entry into the ASX200 AREIT Index in FY22, the Board has determined the comparator group for the Relative TSR measure in the FY23 LTI grant will be the members of the ASX200 AREIT index on 1 July 2022 (previously the ASX300 AREITs).

Minimum Securityholding Requirement

The Committee recognises that it is important for KMP to be aligned with securityholders, not just through the remuneration framework, but also by maintaining a material securityholding interest.

In recognition of this, Arena introduced a minimum securityholding requirement (MSHR) for Executive KMP in FY22 set at 100% of their fixed annual remuneration, to be accumulated over a maximum period of four years.

The existing non-executive director MSHR was increased in FY22 to 100% of the base Board Fee, to be accumulated over a maximum period of three years.

Looking forward, the Committee will remain focused on the development of our team and maintaining remuneration structures that equitably reward, retain and incentivise the achievement of sustainable business outcomes and behaviours that reflect our Purpose, Values and community expectations to create long-term value for our stakeholders. We welcome your feedback in respect of this Report.

Rosemary Hartnett
Chair, Culture and Remuneration Committee

REMUNERATION REPORT CONTINUED

Governance

Who are the members of the Committee?	The Committee is comprised of the independent directors and is chaired by Ms Rosemary Hartnett.
What does the Committee do?	Advises the Board on remuneration policy and practices, sets and monitors standards of business behaviour and culture and has oversight of team development and wellness, succession planning and conflict management. 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 (NED): ▶ Mr David Ross (Chair); ▶ Ms Rosemary Hartnett; ▶ Mr Simon Parsons; and ▶ Mr Dennis Wildenburg The Executive KMP: ▶ Mr Rob de Vos – CEO and Managing Director (CEO); and ▶ Mr Gareth Winter – Executive Director and Chief Financial Officer (CFO)

Key Committee Decisions and remuneration outcomes in FY22

Governance

Independent Remuneration Review

As reported in last year's Remuneration Report, the Committee engaged AON Rewards Solutions (AON) in the second half of FY21 to undertake a comprehensive review of Arena's remuneration framework including:

- ▶ a market review of Executive Remuneration Structure and Design;
- ▶ a CEO and Executive Remuneration Benchmarking Report; and
- ▶ a NED Remuneration Benchmarking Report (collectively the AON Reports).

The AON Reports were considered by the Committee as part of the annual remuneration review with changes to remuneration adopted in FY22 as summarised in last year's Remuneration Report and in this Report.

Minimum Securityholding Requirement

A minimum securityholding requirement (MSHR) for Executive KMP was introduced in FY22 and set at 100% of their fixed annual remuneration, to be accumulated over a maximum period of four years.

The existing non-executive director MSHR was increased in FY22 from 50% to 100% of the annual base Board Fee, to be accumulated over a maximum period of three years.

CEO Remuneration

As reported in last year's Remuneration Report, it had been four years since the CEO remuneration was subject to an independent benchmarking review. Arena experienced significant growth over that four year period to 30 June 2021 as evidenced by a 60% increase in property income, an 85% increase in total assets and a 134% increase in market capitalisation at the time of the independent review.

The Committee reviewed the AON Report in relation to the CEO role and benchmarking data and determined that Mr de Vos' Total Target Remuneration (TTR) for FY22 be adjusted as set out in the comparison with FY21 below.

	FY21	FY22
TFR	\$500,000	\$700,000
STI	\$333,333	\$450,000
LTI	\$432,749	\$550,000
Total	\$1,266,082	\$1,700,000

- ▶ This brought Mr de Vos' fixed annual remuneration in-line with the median and TTR in-line with the 75th percentile of the comparable roles identified by AON in the benchmarking review.
- ▶ 59% of Mr de Vos' FY22 TTR comprised at risk remuneration subject to short term and long term performance hurdles.

The FY21 LTI amount in the comparison above has been stated at the equivalent face value of the LTI grant for consistency with the FY22 face value allocation methodology. LTI grant allocations were previously made on the basis of fair value.

REMUNERATION REPORT CONTINUED

Key Committee Decisions and remuneration outcomes in FY22 *continued*

CFO Remuneration	Mr Winter's TTR increased by 4% from 1 July 2021 to \$1,008,313 (FY21 \$969,531). 56% of Mr Winter's FY22 TTR comprised at risk remuneration subject to short term and long term performance hurdles.
Short Term Incentive (STI)	There were no changes to the structure of the STI in FY22. - Executive KMP were awarded 97.5% of their FY22 STI opportunity based on the assessment of financial targets and performance in respect of non-financial objectives throughout FY22. 50% of an STI award to Executive KMP is deferred for 12 months with payment delivered in equity. The FY20 Deferred STI fully vested in August 2021 and the FY21 Deferred STI will fully vest in August 2022.
Long Term Incentive (LTI)	AON identified that: - Transitioning the issue price for the annual LTI grant to a face value methodology would be more consistent with typical contemporary market practice; and - As a consequence of changing the allocation methodology from fair value to face value, the LTI remuneration amount of the LTI participants should be adjusted so they are neither advantaged nor disadvantaged from the change in methodology. The Committee determined: - The FY22 LTI Performance Rights will be issued at a face value calculated as the Volume Weighted Average Price (VWAP) of the 15 trading days in Arena securities to 30 June (ex-div). This is the existing method used to price the issue of Deferred STI Rights. - The remuneration value of the LTI for all participants was adjusted using a factor of the average of the percentage differential between face value and fair value of a performance right over the previous three LTI grant years. The fair value had averaged approximately 64% of face value over the prior three years. The FY22 Performance Rights allocated to the CEO and CFO using the face value allocation methodology for the LTI amount under the adjusted FY22 Remuneration was approved by securityholders at the 2021 AGM held in November 2021. There were no other changes to the structure of the LTI in FY22. The testing of hurdles and other conditions in relation to the FY20 LTI Grant occurred as at 30 June 2022. The FY20 LTI Grant will fully vest due to: - Arena's FY21 DIS of 16.3 cents per security (representing CAGR of 5.7%) exceeding the upper performance hurdle range of 16.0 cents per security (target 5.1% CAGR); and - Arena's three year Total Securityholder Return (TSR) of 69% (equivalent to a 19% CAGR) ranking 1st (the 100th percentile) of the comparator group comprising the members of the ASX300 A-REIT Index over the performance period.
Non-Executive Director (NED) Board Fees	Board fees are set at a level to attract and retain suitably qualified and experienced Directors having regard to appropriate benchmarks for comparable listed entities, the size and complexity of operations, responsibilities and time commitments. As reported in last year's Remuneration Report, it had been four years since Board fees were subject to an independent benchmarking review. Arena experienced significant growth over that four year period to 30 June 2021 as evidenced by a 60% increase in property income, an 85% increase in total assets and a 134% increase in market capitalisation. The Committee reviewed the AON Report in relation to NED remuneration and the benchmarking data. The Committee determined the following with effect from 1 July 2021 to bring annual fees in-line with market benchmarks: - The Board Chair fee (inclusive of all committee fees) increased to \$230,000 per annum (previously \$207,000). This represents a ratio of 2.2x the base NED fee and 1.7x the average total NED fee which is consistent with benchmark data. - There was no change to the base Board member fee of \$105,000 per annum. - The fee for the Chair of the Audit Committee and the Culture and Remuneration Committee increased to \$20,000 per annum (previously \$10,000). - The fee for a member of the Audit Committee and the Culture and Remuneration Committee increased to \$10,000 per annum (previously \$5,000). - The fees for the Chair and a member of the Nomination Committee have been set respectively at \$5,000 and \$2,500. The Board obtained securityholder approval at the 2021 AGM to increase the Director fee pool (set in 2014) from a limit of \$650,000 to \$1 million. This provides flexibility for the orderly succession of directors, Board diversity and future fee growth.

REMUNERATION REPORT CONTINUED

Key Decisions in respect to FY23 Remuneration Framework

Short Term Incentive (STI)	There are no changes to the structure of the STI in FY23.
Long Term Incentive (LTI)	There are no changes to the structure of the LTI in FY23. Following Arena's entry into the ASX200 AREIT Index in FY22, the Committee has determined the comparator group for the Relative TSR measure in the FY23 LTI grant will be the members of the ASX200 AREIT Index as at 1 July 2022 (previously the ASX300 AREITs).

Executive KMP Remuneration Framework linked to strategy and performance

Our Purpose: Better Communities. Together.	
Objective and Strategy	
Generate an attractive and predictable distribution for securityholders with earnings growth prospects over the medium to long term through developing, owning and managing social infrastructure property that meet Arena's preferred property characteristics	
Executive KMP Remuneration Framework Objectives	
Attract, retain and incentivise Executive KMP	Align remuneration to performance and the successful execution of strategy
Remuneration Principles	
- Market competitive rewards to attract and retain high calibre talent capable of executing strategy. - Total remuneration opportunity to include a significant proportion of at risk performance based pay. - Guide the behaviour and actions of Executive KMP in-line with our Purpose, Values and community expectations.	- Generate market competitive returns for securityholders. - Assess incentives against financial and non-financial measures aligned with strategy and values. - Deliver a meaningful component of Executive KMP remuneration in the form of equity subject to performance hurdles to align Executive KMP with outcomes in the best interests of securityholders over the medium to long term.

REMUNERATION REPORT CONTINUED

Executive KMP Remuneration Framework linked to strategy and performance *continued*

Remuneration Components		
Fixed Remuneration	STI (variable at risk)	LTI (variable at risk)
- Base level of annual remuneration. - Generally set around the median of comparable organisations with reference to complexity of the role and the skills and experience necessary for success in the role. - Independently benchmarked on a periodic basis against comparable organisations. - Generally reviewed annually.	- Performance based remuneration focused on business plan objectives including delivery of distributions to securityholders. - Opportunity based on a percentage of fixed remuneration. - Payable 50% in cash and 50% in equity with vesting of equity component deferred for 12 months.	- Performance based remuneration aligned directly with securityholder returns. - Opportunity based on a percentage of fixed remuneration. - Three year performance period. - Payable in equity to align Executive KMP and securityholders. - LTI participation is offered to all Arena staff to align their interests with securityholders. - From FY22, a face value method has been used to allot the LTI opportunity (previously used an independently assessed fair value).
What are the STI and LTI performance hurdles?	- Financial performance measures (50% weighting) based on Distribution and DIS targets. - Non-financial objectives (50% weighting) based on strategy and operations, team and culture and financial and risk as set out on page 32 of this report.	- Vesting determined by performance against a DIS target range (50% weighting) and Relative TSR ranking (50% weighting) against the members of the ASX200 AREIT Index. - DIS targets are set at 3-5% CAGR as representing through-the-cycle growth expectations and competitive stretch targets.
Why are these performance hurdles used and the link to Performance?	- Aligns Executive KMP with immediate strategic objectives and the sound management of financial and non-financial business priorities required to deliver the annual business plan. - Aligns with securityholder expectations of earnings growth targets and directly linked to core elements of Arena's investment objectives.	- DIS is a key driver of securityholder returns with sustained growth in earnings over the medium to long term a key value driver for securityholder wealth. - The DIS target range of 3-5% CAGR is consistent with core elements of Arena's investment objective to deliver securityholders with attractive and predictable distributions with earnings growth prospects over the medium to long term. A DIS CAGR within the target range of 3-5% is expected to be competitive through the cycle compared to Arena's AREIT peers. The average and median DIS CAGR for AREITs for the three and five year periods to 30 June 2021 was below a 3% CAGR with a 3-5% CAGR representing top quartile performance over these three and five year periods. Consistency of the target range over time provides predictability in DIS and an appropriate balance between sustainable securityholder returns and risk. Achieving the target, in conjunction with disciplined capital management, requires the ongoing efficient and effective deployment of capital including the delivery of Arena's development opportunities. - Relative TSR aligns Executive KMP with overall securityholder returns and reduces the effect of economic cycles by measuring performance relative to peers.
Can the Board cancel or vary incentives?	The Board has full discretion to reduce, cancel or increase STI and LTI incentives, including if information in respect of past awards arises that would otherwise have meant an award would not have been made.	

REMUNERATION REPORT CONTINUED

Executive KMP FY22 Target Remuneration Mix

There was no change in Executive KMP remuneration mix in FY21.

Executive KMP	TFR	At Risk Performance Based Remuneration		
		Cash	Equity	
		STI	Deferred STI	LTI
	%	%	%	%
Rob de Vos	41	13	13	33
Gareth Winter	44	11	11	34

Executive KMP Employment Agreements

Contract duration	Ongoing.
Termination by the Executive KMP	CEO: 9 month notice period. CFO: 6 month notice period. Unvested STI or LTI entitlements lapse unless the Board determines otherwise.
Termination by Arena REIT without cause, mutually agreed resignation, retirement or other circumstance	Notice period (as above) applies or equivalent payment in lieu of notice based on TFR. The Board has discretion to determine awards which may remain on foot and may also pro rata awards 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.
Termination by Arena REIT for cause	No notice period or termination payment unless the board determines otherwise. Unvested STI or LTI entitlements lapse unless the Board determines otherwise.
Post-employment restraints	Restrained from soliciting suppliers, customers and staff for the term of the relevant notice period post-employment.

Performance & Variable Remuneration Outcomes

The table below summarises Arena's performance in key areas over the past 5 years.

5 Year Performance Indicators						
Metric		FY22	FY21	FY20	FY19	FY18
Net Profit (Statutory)	\$million	334.3	165.4	76.6	59.3	64.4
Distributable Income	\$million	56.3	51.9	43.8	37.7	34.7
Distributable Income per Security	cents	16.3	15.2	14.55	13.8	13.1
Distributions per Security	cents	16.0	14.8	14.0	13.5	12.8
Net Asset Value per Security		\$3.37	\$2.56	\$2.22	\$2.10	\$1.97
Security Price at 30 June		\$4.27	\$3.60	\$2.19	\$2.74	\$2.15
Gearing		20.2%	19.9%	14.8%	22.1%	24.7%
Annual Total Shareholder Return (TSR)		22.8%	72.4%	(15.6%)	34.3%	1.2%
Annual TSR of ASX-300 A-REIT Index		(11.2%)	33.9%	(20.7%)	11.4%	13.2%

REMUNERATION REPORT CONTINUED

FY22 STI Scorecard Performance and Outcomes

The Board set the Executive KMP threshold and target financial performance hurdles and non-financial objectives required to deliver strategic priorities that create long term value for securityholders at the beginning of FY22. The Committee's assessment of the Executive KMP's FY22 performance is set out in the scorecard below.

Financial Objectives (50%)				
Category	Measurement	Weighting	Rating	Comments
Distributions & Earnings	FY22 Distribution target of at least 15.8 cents per security (7% growth)	25%	E	Actual FY22 Distribution of 16.0 cents per security (8.1% growth)
	FY22 DIS of 16.1 cents	12.5%	E	Actual FY22 DIS of 16.3 cents (7.2% growth)
	Expected FY23 DIS supporting FY23 distribution guidance of at least 16.6 cents per security (5% growth on FY22 Distribution target)	12.5%	E	Actual FY23 distribution guidance of 16.8 cents (6.3% growth on FY22 Distribution target).
Non-Financial Objectives (50%)				
Category	Key Components	Rating	Comments	
Strategy & Operations	Investment and developments	E	▶ 6 ELC development projects reached practical completion with a value of \$36 million and average net yield of 6.4%.	
	Portfolio management		▶ 7 ELCs acquired with a value of \$47 million at an average net yield of 5.4%.	
	Tenant partners		▶ 9 ELC development projects added to the development pipeline.	
	Lease management		▶ Positive tenant engagement survey ratings with an enhanced tenant survey including greater focus on sustainability matters.	
	Sustainability		▶ WALE extended from 14.4 years to 19.8 years.	
			▶ 100% tenant occupancy.	
			▶ 2nd Sustainability Report published disclosing Arena's ESG advancements.	
			▶ Solar arrays installed at 59% of the portfolio during FY22 with overall coverage increasing to 80%.	
			▶ Certified carbon neutral by Climate Active for business operations in 2021-2022.	
			▶ Improved sustainability research ratings from MSCI and Sustainalytics.	
			▶ Analysed operations and supply chains to support preparation of a voluntary modern slavery statement for FY22.	
Team & Culture	Safety & Wellbeing	T	▶ No safety or injury incidents.	
	Culture & Values		▶ Remote working protocols operating effectively.	
	Development & Succession		▶ Introduced independent team alignment and engagement survey and Executive KMP feedback processes benchmarked against financial services industry participants with a top quartile ranking in employee engagement and top decile ranking for alignment.	
			▶ 100% key staff retention.	
			▶ Development and succession program in place and set as a KPI for Executive KMP.	
Financial & Risk	Business risk priority & mitigation	T	▶ Key business risk mitigations enacted and effective.	
	Liquidity		▶ Business funding, hedging, liquidity and gearing (20%) maintained within approved parameters and development pipeline fully funded.	
	Funding		▶ Positive capital market engagement. Top 3 ranking for Best IR by a Company in the ASX Mid-Cap 100 at the annual AIRA awards for 2nd successive year (ASX Mid-Cap 200 in FY21).	
	Capital Markets			

Key: E = Exceeded Target T = On-Target B = Below Target

REMUNERATION REPORT CONTINUED

FY22 STI Scorecard Performance and Outcomes continued

The Committee reviewed the scorecard of Arena's performance throughout FY22, including the circumstances created by the COVID-19 pandemic and more recently a rapidly changing economic environment arising from inflationary pressures, interest rate increases, wages pressures and staff shortages which have combined to create further uncertainty, and determined that the assessment of outcomes is consistent with the objective of the STI.

Based on the STI scorecard assessment, the Committee awarded 100% of the Financial component for exceeding targets and noting that the Committee does not weight individual non-financial objectives, the Committee determined that based on a balanced assessment of the scorecard, the Executive KMP would be awarded 95% of their non-financial objectives component resulting in an overall award of 97.5% of their STI opportunity. The Committee also consulted with Arena's Audit Committee and confirmed that there were no adverse risk management, behavioural or financial matters relevant to the assessment of Executive KMP performance.

The STI awards for Executive KMP based on performance outcomes in FY22 is set out below.

Executive KMP FY22 STI Awards

Executive KMP	STI Award	Award as a % of STI Opportunity ¹	Cash Component	Deferred STI Component ²	Deferred STI Rights Granted ^{3,4}
	\$	%	\$	\$	No.
Rob de Vos	438,750	97.5	219,375	219,375	53,492
Gareth Winter	215,476	97.5	107,738	107,738	26,271

1. The Board awards STI's based on a performance assessment of financial and non-financial objectives. An STI opportunity not awarded is forfeited.

2. 50% of an STI Award is deferred for 12 months.

3. 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 deferred STI award by the ex-div VWAP of Arena Stapled Securities in the 15 days prior to the end of the financial year (FY22: \$4.1011). Rights granted to Executive KMP are subject to approval by securityholders at Arena's 2022 AGM.

4. 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.

LTI Performance Measures and Assessment

Distributable Income per Security and Relative TSR were established as performance measures in 2014 at the commencement of Arena's LTI Plan. The Committee has considered whether these measures are appropriate in conjunction with AON's review of Arena's remuneration structure in FY21. The Committee confirmed that the hurdle measures are:

- ▶ aligned with business strategy;
- ▶ metrics that align the Executive KMP with securityholders and drive long term sustainable performance and returns; and
- ▶ consistent with our Purpose, Values and community expectations of Executive KMP behaviour.

REMUNERATION REPORT CONTINUED

LTI Performance Measures and Assessment continued

LTI Year	Performance Measurement Period	LTI Performance Measure ⁴	Performance Hurdle	Result	Vesting Outcome ^{5,6}
FY20	FY20-FY22	Relative TSR ¹	50% of rights vest at the 50th percentile; with pro rata vesting until 100% vesting at the 75th percentile.	Arena's TSR of 69% (equivalent to a 19% CAGR) ranked 1st (the 100th percentile) of the comparator group over the three year performance period.	100%
	FY22	DIS ^{2,3}	Target range of 15.1 cents to 16.0 cents.	Target range exceeded. Actual DIS of 16.3 cents (equivalent to 5.7% CAGR over the three year performance period).	100%
				Overall Vesting ⁴	100%
FY21	FY21-FY23	Relative TSR ¹	50% of rights vest at the 50th percentile; with pro rata vesting until 100% vesting at the 75th percentile.	N/A	
	FY23	DIS ^{2,3}	Target range of 15.9 cents to 16.9 cents.		
FY22	FY22-FY24	Relative TSR ¹	50% of rights vest at the 50th percentile; with pro rata vesting until 100% vesting at the 75th percentile.	N/A	
	FY24	DIS ^{2,3}	Target range of 16.6 cents to 17.6 cents.		

1. Relative TSR rank versus a comparator group comprising the members of the ASX300 A-REIT Index (FY20 – FY22 Grants) at the commencement of each three year performance period (assuming reinvestment of distributions). Relative TSR performance rank reduces the effect of market cycles as it measures Arena's performance relative to its peers. The FY23 LTI Grant will use a TSR comparator group comprising the members of the ASX200 A-REIT Index at 1 July 2022.

2. DIS is a key performance indicator referenced by the Board in preparing business plans, measuring Arena's performance and creating value for securityholders. DIS is determined by the Board in accordance with Arena's Distribution Policy.

3. The DIS target range is set at DIS growth of 3% to 5% CAGR over the three year performance period. The target range is considered appropriate by the Board as it is consistent with core elements of Arena's investment objective to deliver securityholders with attractive and predictable distributions with earnings growth prospects over the medium to long term. A DIS CAGR within the target range of 3-5% is expected to be competitive through the cycle compared to listed AREIT peers. The average and median DIS CAGR for listed AREITS for the three and five year periods to 30 June 2021 was below a 3% CAGR with a 3-5% CAGR representing top quartile performance over these three and five year periods. Consistency of the target range over time provides predictability in DIS and an appropriate balance between sustainable securityholder returns and risk. The DIS performance hurdle is 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 adjusting 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.

REMUNERATION REPORT CONTINUED

Executive KMP Remuneration Summary (Actual Amounts Received)¹

Executive KMP		Short Term Benefits			Equity Based Payments ³		Total
		Salary ²	Cash STI	Non-Monetary Benefits	Deferred STI Rights	LTI Performance Rights	
		\$	\$	\$	\$	\$	\$
Rob de Vos	FY22	700,000	158,334	17,438	293,732	598,069	1,767,573
	FY21	500,000	156,863	13,559	119,281	276,271	1,065,974
Gareth Winter	FY22	442,000	100,938	15,244	187,254	602,531	1,347,967
	FY21	425,000	100,000	11,849	91,911	279,725	908,485

1. Voluntary disclosure of actual remuneration received by Executive KMP in accordance with contemporary market practice, however, the information does not align with disclosures required by accounting standards.

2. Salary includes mandatory superannuation guarantee 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 following vesting.

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

Executive KMP		Short Term Benefits			Equity Based Payments		Long Service Leave	Total
		Salary ¹	Cash STI	Non-Monetary Benefits	Deferred STI Rights	LTI Performance Rights		
		\$	\$	\$	\$	\$	\$	\$
Rob de Vos	FY22	700,000	219,375	17,438	219,375	320,733	16,739	1,463,139
	FY21	500,000	158,333	13,559	157,598	247,222	37,120	1,113,832
Gareth Winter	FY22	442,000	107,738	15,244	107,738	226,769	10,619	906,708
	FY21	425,000	100,938	11,849	100,469	204,166	8,695	851,387

1. Salary includes mandatory superannuation guarantee contributions.

Executive KMP Statutory Remuneration Mix¹

Executive KMP	TFR	STI	LTI
	%	%	%
Rob de Vos	49	28	23
Gareth Winter	50	23	27

1. Variation between the total remuneration opportunity mix and actual remuneration mix is a result of non-vesting of opportunities and timing differences between granting an LTI and the amortisation of equity based payments over the relevant performance period.

REMUNERATION REPORT CONTINUED

Executive KMP Interests in Securities¹

Ordinary Stapled Securities						
Executive KMP	Balance 30 June 2021	Acquired	Disposed	Received as Remuneration	Other Changes	Balance 30 June 2022
	No.	No.	No.	No.	No.	No.
Rob de Vos	576,542	-	-	211,237	-	787,779
Gareth Winter	618,291	-	-	186,241	-	804,532

1. Arena introduced a minimum securityholding requirement for Executive KMP in FY22. The policy requires Executive KMP to accumulate (over four years from their date of appointment) and maintain a minimum holding of Arena securities equivalent to 100% of their fixed remuneration. The value is determined by reference to the higher of cost or market value. The Executive KMP comply with the minimum securityholding requirement.

Deferred STI Rights								
Executive KMP	Year ¹	Opening Balance	Rights Granted	Rights Vested	Rights Lapsed	Closing Balance	Grant Value ⁴	Expected Vesting Date
		No.	No.	No.	No.	No.	\$	
Rob de Vos	FY22	-	53,492 ²	-	-	53,492	219,375	Aug 23
	FY21	45,998	1,646 ³	-	-	47,644	158,333	Aug 22
	FY20	68,469	3,358 ³	(71,827)	-	-	156,863	Aug 21
Gareth Winter	FY22	-	26,271 ²	-	-	26,271	107,738	Aug 23
	FY21	29,324	1,049 ³	-	-	30,373	100,938	Aug 22
	FY20	43,649	2,142 ³	(45,791)	-	-	100,000	Aug 21

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 with vesting in the financial year thereafter if vesting conditions are met.
2. 50% of the STI award divided by the 15 day VWAP (ex-div) to the end of the relevant financial year (FY22: \$4.1011; FY21: \$3.4422; FY20: \$2.291). Rights granted to Executive KMP are subject to approval by securityholders at Arena 2022 AGM.
3. Rights granted in respect to distribution equivalents.
4. Represents the face value of the initial Deferred STI award. 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 ^{6,7,8,9}								
Executive KMP	Grant Year	Opening Balance ²	Rights Granted ^{1,2}	Rights Vested ⁴	Rights Lapsed	Closing Balance	Fair Value at Grant Date ³	Face Value at Grant Date ^{1,5}
		No.	No.	No.	No.	No.	\$	\$
Rob de Vos	FY22	-	159,782	-	-	159,782	406,645	550,000
	FY21	194,932	-	-	-	194,932	277,777	432,749
	FY20	157,828	-	-	-	157,828	277,777	429,292
	FY19	139,410	-	(139,410)	-	-	186,112	299,732
Gareth Winter	FY22	-	100,318	-	-	100,318	255,308	345,315
	FY21	149,123	-	-	-	149,123	212,500	331,053
	FY20	120,739	-	-	-	120,739	212,500	328,410
	FY19	140,450	-	(140,450)	-	-	187,500	301,968

1. Commencing from the FY22 grant year, the number of rights granted is determined by the LTI opportunity divided by the 15 day VWAP (ex-div) to 30 June at the beginning of the relevant grant financial year (FY22: \$3.4422).
2. For the FY19 to FY21 grant years, the number of rights granted equalled the LTI opportunity divided by the independent valuation of the fair value of an LTI Performance Right on 1 July in the relevant financial year.
3. FY22 Grants have a grant date of 1 July 2021. The Fair Value per Right of \$2.545 was determined by an independent valuation. Refer to Note 23 of the financial report for information on the valuation inputs.
4. Testing of the performance and other hurdles in relation to the Rights issued in FY19 occurred post 30 June 2021. Vesting of Rights in accordance with the FY20 LTI assessment will be reflected in FY23.
5. For the FY19 to FY21 grant years, the 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.
6. Distributions are not paid on unvested LTI awards.
7. No payment is required on issue of Rights or stapled securities in respect of a vested Right.
8. 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).
9. Executive KMP are restricted from entering into transactions (using derivatives or otherwise) that would have the effect of limiting the economic risk from participating in the LTI.

Non-Executive Director Remuneration Framework

How are Non-Executive Director (NED) fees set?	Fees are set to ensure NEDs are remunerated fairly for their services, recognising the level of skill, expertise and experience required to perform the role. The fees are periodically benchmarked against a comparable group of listed entities.
Who approves the fees?	Each NED is paid an amount determined by the Board. NEDs do not receive any equity based payments, retirement benefits or incentive payments.
Is there a maximum fee?	NED fees are subject to a maximum aggregate amount approved by securityholders of \$1 million per annum.
Are NEDs required to have a minimum security holding?	Arena's minimum securityholding policy requires NEDs to build (over three years from the date the policy was adopted or their date of appointment (whichever is the later) and maintain a minimum holding of Arena securities equivalent to 100% of the annual Board fee. The value is the higher of cost or market value.

FY22 Board and Committee Fees

	Board Fee ¹	Audit Committee	Culture & Remuneration Committee	Nomination Committee
	\$	\$	\$	\$
Chair	230,000	20,000	20,000	5,000
Member	105,000	10,000	10,000	2,500

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

DIRECTORS' REPORT

CONTINUED

REMUNERATION REPORT CONTINUED

Non-Executive Director Reported Remuneration (statutory)

		Fee ¹
		\$
David Ross (Board Chair)	FY22	230,000
	FY21	207,000
Rosemary Hartnett ²	FY22	137,500
	FY21	120,000
Simon Parsons	FY22	127,500
	FY21	117,500
Dennis Wildenburg ³	FY22	137,500
	FY21	122,500

1. Fees include mandatory superannuation guarantee contributions.
2. Chair of the Culture and Remuneration Committee.
3. Chair of the Audit Committee.

Non-Executive Director Securityholdings

Ordinary Securities	Balance 30 June 2021	Acquired	Disposed	Balance 30 June 2022
	No.	No.	No.	No.
David Ross	213,565	-	-	213,565 ¹
Rosemary Hartnett	19,505	7,206	-	26,711 ¹
Simon Parsons	217,644	-	-	217,644 ¹
Dennis Wildenburg	173,334	-	-	173,334 ¹

1. The NEDs comply with the minimum securityholding requirement.

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 2022 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 related parties 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;
- Environmental, Social and Governance Policy;
- Privacy Policy;
- Securities Trading Policy;
- Summary of Risk Management Framework;
- Whistleblower Policy.

In compliance with ASX Listing Rule 4.10.3, the Group publishes an annual statement on its website disclosing the extent to which it has followed the recommendations for good corporate governance set by the ASX Corporate Governance Council during the reporting period.

ENVIRONMENTAL REGULATION

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

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 40.

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

David Ross, Chair
Melbourne, 11 August 2022

AUDITOR’S INDEPENDENCE
DECLARATION



Auditor’s Independence Declaration

As lead auditor for the audit of Arena REIT No. 1, Arena REIT No. 2 and Arena REIT Limited for the year ended 30 June 2022, 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, Arena REIT No. 2 and Arena REIT Limited and the entities it controlled during the period.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
11 August 2022

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

		Consolidated	
For the year ended 30 June 2022		30 June 2022	30 June 2021
	Notes	\$'000	\$'000
Income			
Property income	8(c)	80,804	68,360
Management fee income		611	510
Interest		42	31
Revaluation of investment properties	8	240,253	99,099
Net gain on change in fair value of derivative financial instruments		24,478	4,949
Profit on sale of direct properties		1,023	1,909
Total income		347,211	174,858
Expenses			
Property expenses	8(c)	(791)	(682)
Management and administration expenses		(6,110)	(5,172)
Finance costs	3	(5,608)	(3,423)
Other expenses		(414)	(230)
Total expenses		(12,923)	(9,507)
Net profit for the year		334,288	165,351
Other comprehensive income		-	-
Total comprehensive income for the year		334,288	165,351
Total comprehensive income for the year is attributable to Arena REIT stapled group investors, comprising:			
Unitholders of Arena REIT No. 1		304,012	143,270
Unitholders of Arena REIT No. 2 (non-controlling interest)		31,373	23,222
Unitholders of Arena REIT Limited (non-controlling interest)		(1,097)	(1,141)
		334,288	165,351

	Notes	Cents	Cents
Earnings per security:			
Basic earnings per security in Arena REIT No. 1	5	88.00	41.92
Diluted earnings per security in Arena REIT No. 1	5	87.67	41.73
Basic earnings per security in Arena REIT Group	5	96.76	48.38
Diluted earnings per security in Arena REIT Group	5	96.40	48.16

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

CONSOLIDATED BALANCE SHEET

			Consolidated
For the year ended 30 June 2022		30 June 2022	30 June 2021
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents	6	22,200	14,018
Trade and other receivables	7	3,595	11,887
Total current assets		25,795	25,905
Non-current assets			
Trade and other receivables	7	314	1,372
Derivative financial instruments	12	18,970	-
Property, plant and equipment		783	987
Investment properties	8	1,461,888	1,112,431
Intangible assets	9	10,816	10,816
Total non-current assets		1,492,771	1,125,606
Total assets		1,518,566	1,151,511
Current liabilities			
Trade and other payables	10	11,450	12,801
Provisions		792	413
Distributions payable		14,040	12,801
Lease liabilities		215	215
Total current liabilities		26,497	26,230
Non-current liabilities			
Derivative financial instruments	12	-	6,174
Provisions		97	335
Interest bearing liabilities	11	322,547	239,163
Lease liabilities		451	691
Total non-current liabilities		323,095	246,363
Total liabilities		349,592	272,593
Net assets		1,168,974	878,918
Equity			
Contributed equity - ARF1	13	415,410	406,736
Accumulated profit	14	591,012	335,143
Non-controlling interests - ARF2 and ARL	15	162,552	137,039
Total equity		1,168,974	878,918

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

					Consolidated
For the year ended 30 June 2022		Contributed equity	Accumulated profit	Non-controlling interests - ARL & ARF2	Total equity
		\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020		396,825	235,956	119,099	751,880
Profit for the year		-	143,270	22,081	165,351
Total comprehensive income for the year		-	143,270	22,081	165,351
Transactions with owners in their capacity as owners:					
Issue of securities under the DRP		9,911	-	1,487	11,398
Distributions to securityholders		-	(44,083)	(6,588)	(50,671)
Equity-based remuneration		-	-	960	960
Balance at 30 June 2021		406,736	335,143	137,039	878,918
Balance at 1 July 2021		406,736	335,143	137,039	878,918
Profit for the year		-	304,012	30,276	334,288
Total comprehensive income for the year		-	304,012	30,276	334,288
Transactions with owners in their capacity as owners:					
Issue of securities under the DRP		8,674	-	1,303	9,977
Distributions to securityholders		-	(48,143)	(7,194)	(55,337)
Equity-based remuneration		-	-	1,128	1,128
Balance at 30 June 2022		415,410	591,012	162,552	1,168,974

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Consolidated	
For the year ended 30 June 2022		30 June 2022	30 June 2021
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts in the course of operations		74,916	69,005
Payments in the course of operations		(12,341)	(14,479)
Finance costs paid		(4,520)	(3,127)
Interest received		41	31
Net cash inflow from operating activities	16	58,096	51,430
Cash flows from investing activities			
Proceeds from sale of investment properties		15,969	18,575
Payments for investment properties and capital expenditure		(103,996)	(106,063)
Refund of investment property acquisition costs		384	-
Proceeds from transfer of ownership of plant and equipment		142	-
Net cash (outflow) from investing activities		(87,501)	(87,488)
Cash flows from financing activities			
Net proceeds from issue of securities		(44)	(73)
Distributions paid to securityholders		(44,077)	(48,818)
Loan establishment costs paid		(1,436)	-
Capital receipts from lenders		84,064	50,000
Capital payments from lenders		(666)	(27,201)
Finance lease payments		(254)	(162)
Net cash inflow/(outflow) from financing activities		37,587	(26,254)
Net increase/(decrease) in cash and cash equivalents		8,182	(62,312)
Cash and cash equivalents at the beginning of the financial year		14,018	76,330
Cash and cash equivalents at the end of the financial year	6	22,200	14,018

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



CONTENTS

NOTES TO THE FINANCIAL STATEMENTS

1	General information	46
FINANCIAL RESULTS, ASSETS AND LIABILITIES		47
2	Segment information	47
3	Finance costs	47
4	Income taxes	48
5	Earnings per security ('EPS')	49
6	Cash and cash equivalents	50
7	Trade and other receivables	50
8	Investment properties	52
9	Intangible assets	57
10	Trade and other payables	58
11	Interest bearing liabilities	59
12	Derivative financial instruments	60
13	Contributed equity	61
14	Accumulated profit	62
15	Non-controlling interests	63
16	Cashflow information	64
RISK		65
17	Financial risk management and fair value measurement	65
18	Capital management	69
GROUP STRUCTURE		70
19	Investments in controlled entities	70
UNRECOGNISED ITEMS		70
20	Contingent assets and liabilities and commitments	70
21	Events occurring after the reporting period	70
FURTHER DETAILS		71
22	Related party disclosures	71
23	Equity-based remuneration	73
24	Remuneration of auditors	75
25	Parent entity financial information	76
26	Summary of other significant accounting policies	77





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 11 August 2022. 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 2022, the Group is in net current liability position of \$0.7 million. The deficiency is due to working capital management within the Group, and the difference in the timing of drawdowns from the Group's debt facility and the timing of expenditure. As at the date of this report, the Group has in excess of \$100 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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(ii) New accounting standards and interpretations not yet adopted

There are no 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.

(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 2022	30 June 2021
	\$'000	\$'000
Finance costs:		
Interest paid or payable	4,707	2,994
Loan establishment and other finance costs	513	429
Write-off of loan establishment costs due to refinancing	388	-
Total finance costs expensed	5,608	3,423
Finance costs capitalised (a)	3,338	3,605
Total finance costs	8,946	7,028

(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.

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

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Profit before income tax	(334,288)	(165,351)
Tax at the applicable Australian tax rate of 25.0% (2021 - 26.0%)	83,572	42,991
Profit attributable to entities not subject to tax	83,846	43,606
Deferred tax assets not recognised	(274)	(615)
Income tax expense	-	-

Unrecognised deferred tax assets are \$0.3 million (2021: \$0.6 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

(b) Accounting policy - income tax 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')

	2022	2021
	Cents	Cents
Basic EPS in Arena REIT No. 1	88.00	41.92
Diluted EPS in Arena REIT No. 1	87.67	41.73
Basic EPS in Arena REIT Group	96.76	48.38
Diluted EPS in Arena REIT Group	96.40	48.16

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

	2022	2021
	Number of securities	Number of securities
	'000	'000
Weighted average number of ordinary securities used in calculating basic EPS	345,469	341,774
Rights granted under employee incentive plans	1,308	1,538
Adjusted weighted average number of ordinary securities used in calculating diluted EPS	346,777	343,312

	30 June 2022	30 June 2021
	\$'000	\$'000
Earnings used in calculating basic EPS for Arena REIT No. 1	304,012	143,270
Earnings used in calculating diluted EPS for Arena REIT No. 1	304,012	143,270
Earnings used in calculating basic EPS for Arena REIT Group	334,288	165,351
Earnings used in calculating diluted EPS for Arena REIT Group	334,288	165,351

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 security holders, 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 2022	30 June 2021
	\$'000	\$'000
Cash at bank	22,200	14,018
Total cash and cash equivalents	22,200	14,018

(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 2022	30 June 2021
	\$'000	\$'000
Trade receivables	989	1,003
Expected credit loss provision	(154)	(154)
Other receivables	1,862	7,441
Prepayments	898	3,257
Deferred management fees receivable	-	340
	3,595	11,887

Other receivables as at 30 June 2021 included \$5 million of sales proceeds payable to the Group following the disposal of ELC assets during the year ended 30 June 2021.

7. TRADE AND OTHER RECEIVABLES CONTINUED

(a) Trade and other receivables - Current *continued*

(i) Impairment and ageing

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

	Gross	Expected credit loss provision	Gross	Expected credit loss provision
	2022	2022	2021	2021
	\$'000	\$'000	\$'000	\$'000
Not past due	989	(154)	1,003	(154)
Past due 0 - 30 days	-	-	-	-
Past due 31 - 60 days	-	-	-	-
Past due 61 - 90 days	-	-	-	-
Past due over 90 days	-	-	-	-
	989	(154)	1,003	(154)

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.

(b) Receivables - Non-current

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Trade receivables	314	1,097
Deferred management & performance fees	-	275
Total	314	1,372

(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 2022		30 June 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Trade receivables	314	314	1,097	1,097
Deferred management & performance fees	-	-	275	275
	314	314	1,372	1,372

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.

Receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Group measures the loss allowance on receivables at an amount equal to the lifetime expected credit losses. Expected credit losses are measured using probability of default, exposure at default and loss given default. 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 expected credit loss provision 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 expected credit loss provision 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.

Non-current trade receivables include deferred rent receivables from tenants that are not expected to be settled within twelve months after the reporting date. Cash flows relating to 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 expected credit loss provision 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 independent valuation	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
ELC properties	1,236,859	906,760	1,033,210	802,420
ELC developments	50,705	52,407	25,174	27,882
Healthcare properties	174,324	153,264	162,794	143,187
Total	1,461,888	1,112,431	1,221,178	973,489

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 96 Early Learning Centres ('ELC') and 6 healthcare properties throughout the year ended 30 June 2022. The directors have reviewed these valuations and determined they are appropriate to adopt during the financial period ending 30 June 2022. Director valuations were performed on investment properties not independently valued as at 30 June 2022.

Development properties have been subject to a Director valuation and are carried at the lower of cost or fair value on completion less cost to complete.

8. INVESTMENT PROPERTIES CONTINUED

(a) Valuations and carrying amounts continued

The key inputs into valuations are:

- ▶ Passing rent;
- ▶ Market rents;
- ▶ Capitalisation rates;
- ▶ Lease terms;
- ▶ Rent reviews;
- ▶ Planning status and approvals;
- ▶ Discount rates (healthcare properties); and
- ▶ Capital expenditure and vacancy contingencies (healthcare properties).

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 3 in the fair value hierarchy.

(i) Key assumptions - ELCs

	30 June 2022	30 June 2021
Market rent per licenced place	\$1,300 to \$5,450	\$1,300 to \$5,400
Capitalisation rates	4.25% to 7.50%	5.00% to 7.50%
Passing yields	3.50% to 6.50%	4.00% to 7.50%

(ii) Key assumptions - Healthcare properties

	30 June 2022	30 June 2021
Capitalisation rates	4.25% to 6.25%	4.75% to 6.25%
Passing yields	4.75% to 6.50%	5.00% to 6.25%

(iii) Sensitivity analysis

For ELC properties, if the capitalisation rate expanded by 25 basis points, fair value would reduce by \$60 million from the fair value as at 30 June 2022 and if the capitalisation rate compressed by 25 basis points, fair value would increase by \$67 million from the fair value as of 30 June 2022.

For Healthcare properties, if the discount rates or capitalisation rates expanded by 25 basis points, fair value would reduce by \$8 million from the fair value as at 30 June 2022 and if the capitalisation rate or discount rate compressed by 25 basis points, fair value would increase by \$9 million from the fair value as of 30 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. INVESTMENT PROPERTIES CONTINUED

(b) Movements during the financial year

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
At fair value		
Opening balance	1,112,431	914,007
Property acquisitions and capital expenditure	105,345	105,762
Refund of property acquisition costs	(384)	-
Disposals	(9,989)	(14,914)
Revaluations	240,253	99,099
Other IFRS revaluation adjustments	14,232	8,477
Closing balance	1,461,888	1,112,431

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

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Property income	66,570	59,808
Other property income (recognised on a straight line basis)	14,234	8,552
Direct operating expenses from property that generated property income	(791)	(682)
Revaluation gain on investment properties	240,253	99,099

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 25% 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 17% of the Group's investment property portfolio by income. Green Leaves is a privately held provider of early childhood education, owning and operating approximately 50 ELCs throughout Australia.
- ▶ Idameneo (No. 123) - representing 9% of the Group's investment property portfolio by income. Idameneo is a company controlled by BGH Capital and a major operator of multi-disciplinary medical clinics throughout Australia. Idameneo leases property from the Group through a wholly-owned subsidiary, providing a corporate guarantee from its parent company and a bank guarantee as security for their performance under the leases.

Other Tenants

Operator	% of Investment Property Portfolio by Income
Affinity	9%
Edge Early Learning	9%
G8 Education	5%
Petit Early Learning Journey	3%
Aspire Education	3%
YMCA	2%
SACare	2%

All of the above tenants are ELC or healthcare operators. G8 Education is listed on the Australian Securities Exchange. The other tenants are privately owned with experience operating ELCs or healthcare businesses. 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.

(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 2022	30 June 2021
	\$'000	\$'000
Investment properties	45,619	25,741

The above commitments include the costs associated with developing early learning properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2022	30 June 2021
	\$'000	\$'000
Minimum lease receivable under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within 1 year	68,714	61,683
1 - 2 years	70,131	62,856
2 - 3 years	71,733	64,116
3 - 4 years	73,536	65,549
4 - 5 years	75,389	67,174
Greater than 5 years	1,441,846	779,062
	1,801,349	1,100,440

(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.

9. INTANGIBLE ASSETS

	Consolidated	
	30 June 2022	30 June 2021
	\$'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 4% per annum; and
- ▶ cash flows are discounted at a rate of 9.23% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Prepaid rental income	3,831	3,475
Sundry creditors and accruals	7,619	9,326
	11,450	12,801

Trade and other payables are non-interest bearing.

11. INTEREST BEARING LIABILITIES

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000

Non-current:

Secured

Syndicated facility	324,000	240,000
Unamortised transaction costs	(1,453)	(837)
Total secured non-current borrowings	322,547	239,163

(a) Financing arrangements

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000

Committed facilities available at the end of the reporting period

Interest bearing liabilities	430,000	330,000
------------------------------	---------	---------

Facilities used at the end of the reporting period

Interest bearing liabilities	324,000	240,000
------------------------------	---------	---------

(a) Financing arrangements continued

The Group refinanced its syndicated debt facility in December 2021, increasing the facility limit by \$100 million to \$430 million and extending the maturity dates. The Group now has a \$150 million facility expiring 31 March 2024, a \$130 million facility expiring 31 March 2026 and a \$150 million facility expiring 31 March 2027, providing a remaining weighted average term of 3.4 years as at 30 June 2022 (30 June 2021: 3.7 years).

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.

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 2022	30 June 2021
	\$'000	\$'000
Financial assets pledged		
Cash and cash equivalents	15,430	8,938
Trade and other receivables	3,442	15,639
Derivative financial instruments	18,970	-
	37,842	24,577

	30 June 2022	30 June 2021
	\$'000	\$'000
Other assets pledged		
Investment properties	1,461,888	1,112,431
	1,461,888	1,112,431

(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 2022 of 6.8 times) and a loan to market value of investment properties ratio of less than 50% (actual at 30 June 2022 of 26.5%). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Non-current assets		
Interest rate swaps	18,970	-
	18,970	-
Non-current liabilities		
Interest rate swaps	-	6,174
	-	6,174

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 in place as at 30 June 2022 cover 77% (2021: 69%) of the facility principal outstanding. The weighted average fixed interest swap rate at 30 June 2022 was 1.68% (2021: 1.86%), and the weighted average term was 4.3 years (2021: 4.4 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 2022	30 June 2021
	\$'000	\$'000
Less than 1 year	-	-
1 – 2 years	15,000	30,000
2 – 3 years	45,000	15,000
3 – 4 years	50,000	15,000
4 – 5 years	60,000	30,000
Greater than 5 years	80,000	75,000
	250,000	165,000

(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.

13. CONTRIBUTED EQUITY

(a) Securities

	Consolidated			
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	Securities '000	Securities '000	\$'000	\$'000
Ordinary Securities				
Fully paid	346,678	343,644	415,410	406,736

Other contributed equity attributable to securityholders of the Group relating to ARF2 and ARL of \$84.4 million is included within Non-controlling interests - ARF2 and ARL (30 June 2021: \$82 million).

(b) Movements in ordinary securities

Date	Details	Number of securities	
		'000	\$'000
1 July 2020	Opening balance	327,278	396,825
	Issue of securities under the Security Purchase Plan (iii)	11,270	-
	Issue of securities under the DRP (i)	4,449	9,911
	Vesting of equity-based remuneration (ii)	647	-
30 June 2021	Closing balance	343,644	406,736
1 July 2021	Opening balance	343,644	406,736
	Issue of securities under the DRP (i)	2,334	8,674
	Vesting of equity-based remuneration (ii)	700	-
30 June 2022	Closing balance	346,678	415,410

(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 2021, 498,522 performance rights granted to employees of a related party of the Responsible Entity in FY19 vested as a result of performance conditions being fulfilled. In addition, 201,081 deferred short-term incentive rights granted to employees of a related party of the Responsible Entity in FY20 vested.

(iii) Security Purchase Plan (SPP)

In conjunction with the Institutional Placement in June 2020, the Group offered a Security Purchase Plan (SPP) to eligible investors. \$24.92 million was raised through the issue of 11,269,908 stapled securities at a price of \$2.2115 per stapled security. New stapled securities under the SPP were issued on 1 July 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. ACCUMULATED PROFIT

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Movements in accumulated profit were as follows:		
Opening accumulated profit	335,143	235,956
Net profit for the year attributable to ARF1	304,012	143,270
Distribution paid or payable attributable to ARF1	(48,143)	(44,083)
Closing accumulated profit	591,012	335,143

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 \$7.2 million (30 June 2021: \$6.6 million).

Distributions declared	2022	2021	2022	2021
	\$'000	\$'000	cps	cps
	Distributions declared \$'000		Distributions declared cps	
September quarter	13,629	12,363	3.950	3.625
December quarter	13,651	12,735	3.950	3.725
March quarter	14,017	12,772	4.050	3.725
June quarter	14,040	12,801	4.050	3.725
Total distributions to securityholders	55,337	50,671	16.000	14.800

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
	\$'000	\$'000	\$'000
Opening balance - 1 July 2020	98,171	20,928	119,099
Issue of securities under the DRP	1,487	-	1,487
Vesting of equity-based remuneration	-	1,322	1,322
Net profit/(loss) for the year attributable to non-controlling interests	23,222	(1,141)	22,081
Distributions paid or payable attributable to non-controlling interests	(6,588)	-	(6,588)
Increase/(decrease) in reserves (i)	-	(362)	(362)
Closing balance - 30 June 2021	116,292	20,747	137,039

	ARF2	ARL	Total
	\$'000	\$'000	\$'000
Opening balance - 1 July 2021	116,292	20,747	137,039
Issue of securities under the DRP	1,303	-	1,303
Vesting of equity-based remuneration	-	1,126	1,126
Net profit/(loss) for the year attributable to non-controlling interests	31,373	(1,097)	30,276
Distributions paid or payable attributable to non-controlling interests	(7,194)	-	(7,194)
Increase/(decrease) in reserves (i)	-	2	2
Closing balance - 30 June 2022	141,774	20,778	162,552

(i) Reserves

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Opening balance	1,751	2,113
Vesting of equity-based remuneration	(1,126)	(1,322)
Equity-based remuneration expense	1,128	960
Balance 30 June	1,753	1,751

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. CASHFLOW INFORMATION

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

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Profit for the year	334,288	165,351
Amortisation of borrowing costs	821	335
Net increase in fair value of investment properties	(240,253)	(99,099)
Straight lining adjustment on rental income	(14,234)	(8,552)
Net (gain)/loss on sale of direct property	(1,023)	(1,909)
Net (gain)/loss on derivative financial instruments	(24,478)	(4,949)
Equity-based remuneration expense	1,128	960
Other	368	171
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	3,071	(1,540)
(Decrease)/increase in trade and other payables	(1,735)	432
Increase/(decrease) in provisions	143	230
Net cash inflow from operating activities	58,096	51,430

(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 & lease liabilities	Derivative financial instruments	Total
	\$'000	\$'000	\$'000	\$'000
Net debt as at 1 July 2020	76,330	(213,953)	(13,110)	(150,733)
Cash flows	(62,312)	(24,838)	1,987	(85,163)
Other non-cash movements	-	(1,278)	4,949	3,671
Net debt as at 30 June 2021	14,018	(240,069)	(6,174)	(232,225)
Net debt as at 1 July 2021	14,018	(240,069)	(6,174)	(232,225)
Cash flows	8,182	(82,310)	666	(73,462)
Other non-cash movements	-	(835)	24,478	23,643
Net debt as at 30 June 2022	22,200	(323,214)	18,970	(282,044)

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.

The Responsible Entity is responsible for ensuring a prudent risk management culture is established for the Group. This is reflected in the adoption of a Risk Management Framework that clearly defines risk appetite and risk tolerance limits which are consistent with Arena REIT's investment mandate.

The effective design and operation of the risk management systems, controls and policies is overseen by the Responsible Entity, Audit Committee and Board of Directors.

Risk management in respect of financial instruments is achieved via written policies that establish risk appetite and tolerance limits in respect to exposure to interest rate risk, credit risk, the use of derivative financial instruments and the investment of excess liquidity. Compliance with these policies and exposure limits is reviewed by the Responsible Entity on a periodic basis.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust is exposed to the market risk that is the result of interest rate risk.

(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 2022	30 June 2021
	\$'000	\$'000
Financial assets		
Cash and cash equivalents - floating interest rate	22,200	14,018
Financial liabilities		
Interest bearing liabilities - floating interest rate	(324,000)	(240,000)
Derivative financial instruments (notional principal amount) - fixed rate interest rate swaps	250,000	165,000
Net Exposure	(51,800)	(60,982)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT CONTINUED

(i) Cash flow and fair value interest rate risk continued

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

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Market interest rate increased by 100 basis points (2021: 100 bp)	(518)	(610)
Market interest rate decreased by 100 basis points (2021: 100 bp)	518	610

Instruments with fair value risk:

Derivative financial instruments	250,000	165,000
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 (2021: 100 bp)	9,423	6,823
Market interest rate decreased by 100 basis points (2021: 100 bp)	(9,423)	(6,823)

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 2022	30 June 2021
	\$'000	\$'000
Cash at bank	22,200	14,018
Trade and other receivables	3,165	9,541
Less: Expected credit loss provision	(154)	(154)
Maximum exposure to credit risk	25,211	23,405

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT CONTINUED

(b) Credit risk continued

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, expected credit losses provision is 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.

(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
30 June 2022	\$'000	\$'000	\$'000
Trade and other payables	11,450	-	-
Interest rate swaps	1,910	1,829	5,103
Interest bearing liabilities	7,767	151,965	188,600
Contractual cash flows (excluding gross settled derivatives)	21,127	153,794	193,703

Consolidated	Less than 12 months	1-2 years	Greater than 2 years
30 June 2021	\$'000	\$'000	\$'000
Trade and other payables	12,801	-	-
Interest rate swaps	3,050	2,834	6,703
Interest bearing liabilities	3,573	133,183	111,895
Contractual cash flows (excluding gross settled derivatives)	19,424	136,017	118,598

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS CONTINUED

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT CONTINUED

(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.

(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 2022 and 30 June 2021 on a recurring basis:

Consolidated	Level 1	Level 2	Level 3	Total
30 June 2022	\$'000	\$'000	\$'000	\$'000
Financial assets				
Interest rate swaps	-	18,970	-	18,970
Total	-	18,970	-	18,970
Consolidated	Level 1	Level 2	Level 3	Total
30 June 2021	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
Interest rate swaps	-	6,174	-	6,174
Total	-	6,174	-	6,174

17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT CONTINUED

(i) Classification of financial assets and financial liabilities continued

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 2022.

(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 2022	30 June 2021
	\$'000	\$'000
Net Interest bearing liabilities	301,800	225,982
Total assets less cash	1,496,366	1,137,493
Gearing ratio	20.2%	19.9%

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	
			2022	2021
			%	%
Citrus Investment Services Limited	Australia	Ordinary	100	100
Arena REIT Management Limited	Australia	Ordinary	100	100
Arena REIT Operations Pty Limited	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 2022 and 30 June 2021. For details of commitments of the Group as at 30 June 2022, refer to note 8.

21. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No 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 2022 or on the results and cash flows of the Group for the year ended on that date.

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 2022	30 June 2021
	\$	\$
Short term employee benefits	2,029,659	1,684,098
Post-employment benefits	104,636	92,580
Long term benefits	27,358	46,085
Termination benefits	-	-
Equity-based remuneration	840,694	709,455
	3,002,347	2,532,218

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. RELATED PARTY DISCLOSURES CONTINUED

	30 June 2022	30 June 2021
	\$	\$
The following transactions occurred with related parties:		
Property management income received from other related parties	30,231	41,997
Management fees received by the Group from other related parties	603,737	238,833
Property income received from other related parties	23,250	16,122
Increase/(decrease) in fair value of performance fee receivable by the Group from other related parties	162,003	20,510
Performance fees received by the Group from other related parties	376,826	-
Amounts receivable:		
Amount receivable from other related parties at the end of the reporting period	-	39,887
Deferred management and performance fees receivable at the end of the reporting period	-	614,823
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	2022	2021	2020	2019	2018	Total
	No.	No.	No.	No.	No.	No.
Rights issued	372,783	475,774	377,023	604,596	658,098	2,488,274
Performance rights issued	372,783	475,774	377,023	604,596	658,098	2,488,274
Number rights forfeited/lapsed in prior years	-	-	-	(111,319)	(183,881)	(295,200)
Number rights forfeited/lapsed in current year	(7,206)	(10,738)	(8,544)	-	-	(26,488)
Number rights vested in prior years	-	-	-	-	(474,217)	(474,217)
Number rights vested in current year	-	-	-	(493,277)	-	(493,277)
Closing balance	365,577	465,036	368,479	-	-	1,199,092

Deferred Short Term Incentive Rights	2022	2021	2020	2019	2018	Total
	No.	No.	No.	No.	No.	No.
Rights issued	108,767	191,677	161,034	171,120	-	632,598
Deferred Short Term Incentive rights issued	108,767	191,677	161,034	171,120	-	632,598
Number rights forfeited/lapsed in prior years	-	-	-	-	-	-
Number rights forfeited/lapsed in current year	-	-	-	-	-	-
Number rights vested in prior years	-	-	(161,034)	(171,120)	-	(332,154)
Number rights vested in current year	-	(191,677)	-	-	-	(191,677)
Closing balance	108,767	-	-	-	-	108,767

(b) Rights expense

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

	30 June 2022	30 June 2021
	\$'000	\$'000
Performance Rights	678	530
Deferred Short Term Incentive Rights	450	430
	1,128	960

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 FY22 to assess the fair value are as follows:

Grant date	1 July 2021
Security price at grant date	\$3.64
Fair value of right	\$2.545
Expected price volatility	24%
Risk-free interest rate	0.34%

(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 2022	30 June 2021
	\$	\$
PricewaterhouseCoopers Australian firm		
Audit and other assurance services		
Audit and review of financial statements	152,200	142,200
Audit of compliance plans	16,200	15,200
Total remuneration for audit and other assurance services	168,400	157,400
Taxation services		
Tax compliance services, including review of income tax returns	32,342	47,632
Tax consulting	3,000	-
Total remuneration for taxation services	35,342	47,632
Total remuneration of PricewaterhouseCoopers	203,742	205,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2022	30 June 2021
	\$'000	\$'000
Income statement information		
Net profit attributable to Arena REIT No. 1	304,012	143,270
Comprehensive income information		
Total comprehensive income attributable to Arena REIT No. 1	304,012	143,270
Balance Sheet		
Current assets	12,994	14,208
Non-current assets	1,306,208	960,264
Total assets	1,319,202	974,472
Current liabilities	26,437	22,836
Non-current liabilities	286,343	209,757
Total liabilities	312,780	232,593
Equity attributable to securityholders of Arena REIT No. 1		
Contributed equity	415,410	406,736
Accumulated profit	591,012	335,143
	1,006,422	741,879

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 2022, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 on a time-proportionate basis 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 received for performance obligations fulfilled over time with revenue recognised accordingly.

Performance fees earned from managed funds are for performance obligations fulfilled over time and fees are determined in accordance with the relevant agreement. It is recognised to the extent that it is highly probable that the amount of consideration recognised will not be significantly reversed when uncertainty is resolved.

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).

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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.

(iii) Measurement

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

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

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income within 'net gain/(loss) on change in fair value' of the financial instrument in the period in which they arise.

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).

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(k) Financial instruments *continued*

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.

Further detail on receivables' accounting policy is disclosed in note 7(c).

(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.

(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.



DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 41-81 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 2022 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, Chair
Melbourne, 11 August 2022

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To the stapled security holders of Arena REIT No. 1, Arena REIT No. 2 and Arena REIT Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Arena REIT (the Group), being the consolidated stapled entity which comprises Arena REIT No. 1, Arena REIT No. 2 and Arena REIT Limited and its controlled entities, 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 2022 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 2022
- 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 significant accounting policies and other explanatory information
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

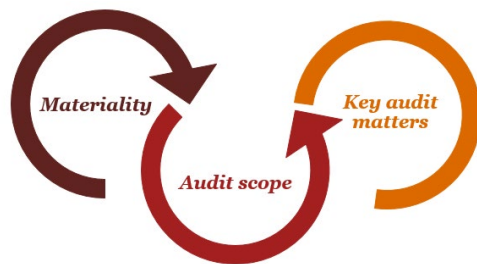
PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Liability limited by a scheme approved under Professional Standards Legislation.



individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

- For the purpose of our audit we used overall Group materiality of \$2.77 million, which represents approximately 5% of the Group's profit before tax adjusted for fair value movements in investment properties, straight-lining of rent and fair value movements in derivatives.
- 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 Group profit before tax adjusted for fair value movements in investment properties, straight-lining of rent and fair value movements in derivatives because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

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. We communicated the key audit matters to the Audit and Risk Committee.



Key audit matter

How our audit addressed the key audit matter

Fair value of investment properties (Refer to note 8) [\$1,462m]

The Group's portfolio of investment properties was recognised as an asset in the financial report at \$1,462m as at 30 June 2022 with a revaluation gain in the period of \$240m. The portfolio comprised of 237 Early Learning Centre (ELC) properties, 15 ELC development sites and 11 healthcare properties in Australia.

The Group obtained independent external valuations for 48 ELCs and three healthcare properties at 31 December 2021, and a further 48 ELCs and three healthcare properties at 30 June 2022. Director valuations were performed on investment properties which were not independently valued at 30 June 2022.

Investment properties (ELC and healthcare) are recognised at fair value, with changes in the fair values recognised in profit and loss. Development properties are carried at the lower of cost or fair value on completion less cost to complete.

The estimation of fair value for investment properties was a key audit matter because of the:

- financial significance of the investment property balance.
- level of judgement required by the Group in estimating the underlying assumptions used in the valuation models (the models).
- sensitivity of fair value to any changes in key inputs and assumptions used in the models, including capitalisation and discount rates.
- potential impact to profit as a result of the revaluation of investment properties.

For investment properties that had independent external valuations obtained, we performed the following procedures, amongst others:

- assessed the scope, competence, capability and objectivity of the external valuer engaged by the Group.
- for a sample of properties we assessed the appropriateness of the valuation approach and reasonableness of certain significant assumptions, including comparing the capitalisation rates to market data, including comparable transactions, where possible.
- agreed a sample of data (e.g. rent, lease terms and property information) provided to the external valuer to the tenancy schedule, underlying lease agreements and available market information.
- for a sample of properties, agreed the fair value determined by the external valuer to the Group's accounting records.

For investment properties which were internally valued by the directors, we performed the following procedures, amongst others:

- developed an understanding of the Group's valuation approach, data and significant assumptions used in the valuation models.
- assessed the competence and capabilities of the internal valuation experts.
- agreed a sample of data (e.g. rent, lease terms and property information) used by the directors in the valuation models to the tenancy schedule, underlying lease agreements and available market information.
- compared the approach and significant assumptions used in the director valuations to the independent external valuations to look for unusual trends or anomalies in the valuation outcomes.
- agreed the fair value determined by the directors to the Group's accounting records.



Key audit matter

How our audit addressed the key audit matter

- for development properties, we considered if the assets carried at cost on 30 June 2022 remain appropriate.

In addition, we have performed the following procedures, amongst others:

- assessed the Group's approach to the valuation of investment properties.
- through inquiry of management and observation of the valuation process, developed an understanding of the Group's control activities around the valuation of investment properties.
- assessed the reasonableness of the Group's disclosures in the financial report in light of the requirements of Australian Accounting Standards.

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 2022, 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 director's 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 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 25 to 38 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Arena REIT for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors 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
11 August 2022



ASX ADDITIONAL INFORMATION

ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 18 AUGUST 2022

There were 347,292,848 fully paid ordinary securities on issue, held by 5,210 securityholders. There were 392 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
	No.	No.	%
1-1,000	1,161	377,642	0.11
1,001-5,000	1,240	3,563,770	1.03
5,001-10,000	838	6,370,267	1.83
10,001-100,000	1,882	52,976,781	15.25
100,001 and over	89	284,004,388	81.78
Total	5,210	347,292,848	100.00

SUBSTANTIAL SECURITYHOLDERS

Name of substantial securityholder	Number of securities	Fully Paid (%)
	No.	%
The Vanguard Group, Inc	26,562,449	7.65
Australian Unity Funds Management Limited	25,669,831	7.39
State Street Corporation	19,753,533	5.69
BlackRock Group	19,534,159	5.62

TWENTY LARGEST SECURITYHOLDERS

Holder Name	Number of securities	Fully Paid (%)
	No.	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	92,897,257	26.75
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	59,211,678	17.05
BNP PARIBAS NOMS PTY LTD <DRP>	40,050,071	11.53
CITICORP NOMINEES PTY LIMITED	32,208,181	9.27
NATIONAL NOMINEES LIMITED	21,834,450	6.29
THE TRUST COMPANY LIMITED <FOLKESTONE EDUCATION A/C>	12,050,909	3.47
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,224,469	0.93
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,816,981	0.81
CARBRY INVESTMENTS PTY LTD <CARBRY FAMILY A/C>	1,560,859	0.45
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	963,881	0.28
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	925,222	0.27
MR GARETH WINTER <WINTER FAMILY A/C>	804,532	0.23
DE VOS NOMINEES PTY LTD <DE VOS FAMILY A/C>	787,779	0.23
MR DAVID STEWART FIELD	775,000	0.22
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	751,410	0.22
BNP PARIBAS NOMS (NZ) LTD <DRP>	548,926	0.16
LOTO JADE PTY LTD <LOTO JADE A/C>	400,775	0.12
NUSHAPEMALLCOM PTY LTD <THE MICHAEL BENJAMIN S/F>	373,000	0.11
NABE PTY LTD <THE GLASS A/C>	364,083	0.10
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	351,978	0.10
Total Securities of Top 20 Holdings	272,901,441	78.58



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 generally makes distribution payments on a quarterly basis, typically within six weeks of the quarter end. Details of the 2022 financial year distributions are provided in the table below.

FY22 distributions

Period ended	Payment date	Distribution amount (cps)
30 September 2021	4 November 2021	3.95
31 December 2021	3 February 2022	3.95
31 March 2022	5 May 2022	4.05
30 June 2022	4 August 2022	4.05

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

Direct credit

Arena makes distribution payments via Electronic Funds Transfer and requires you to provide your banking instructions. If you do not provide your banking instructions your distribution payment will be withheld. It will be held on your behalf in a non-interest bearing account until your details have been received, subject to obligations that relate to payment of unclaimed monies.

If you wish to register for direct credit 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.

DISTRIBUTION PAYMENTS *CONTINUED*

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, 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 2022 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 2022 tax guide is available for download from the Investor Centre www.arena.com.au/Investor-Centre.

INVESTOR FEEDBACK OR COMPLAINTS

Complaints or feedback may be made verbally or in writing, and should be directed 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 to Arena and do not receive a satisfactory outcome or a response within 30 days of making a complaint 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

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 32, 8 Exhibition Street
Melbourne VIC 3000

Phone: +61 3 9093 9000

Email: info@arena.com.au

Website: www.arena.com.au

DIRECTORS

David Ross (Independent, Non-Executive Chair)
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

STOCK EXCHANGE LISTING

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

