

## Appendix 4D Half year report

### 1. Company details

Name of entity

Ante Real Estate Trust

ABN or equivalent company  
reference

ARSN 114 494 503

Financial year ended  
(‘current period’)

31 Dec 2016

Financial year ended  
(‘previous period’)

31 Dec 2015

### 2. Results for announcement to the market

			%		\$000's
2.1	Revenues from ordinary activities	decreased	3.77	to	1,324
2.2	Net profit from ordinary activities after tax attributable to members**	increased	30.77	to	(1,271)
2.3	Net profit for the period attributable to members*	Increased	30.77	to	(1,271)
2.4	Dividends	Amount per security		Franked amount per security	
	No dividends were declared during period	Nil		Nil	
2.5	Record date for determining entitlements to the final dividend.	N/A			
2.6	Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood.				

**2. Results for announcement to the market (continued)**

Refer to the attached interim Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and Statement of Cash Flows at Attachment 1 for further details.

**3. Net Tangible Assets per Unit**

Net Tangible Assets per unit	31 December 2016 \$ per unit	30 June 2016 \$ per unit	Change %
Net Tangible Assets	\$0.05	\$0.13	-61.5

**4. Entities over which control has been gained or lost during the period**

No control has been gained or lost over another entity during the period

**5. Details of distributions**

No distributions have been declared or were payable for the period.

**6. Details of distribution reinvestment plans in operation**

N/A

**7. Details of associates and joint ventures**

N/A

**8. Accounting standards used for foreign entities**

The Trust is an investor in real property in the USA. The financial statements of the Trust have been prepared in accordance with Australian Accounting Standards ("AASB's") which comply with International Financial Reporting Standards ("IFRS").

**9. Description of audit dispute or qualification**

The financial report is based on accounts which have been reviewed by Pitcher Partners for the reporting period of six months to 31 December 2016 and included an emphasis of matter.

# **Ante Real Estate Trust**

**ARSN 114 494 503**

## **Interim Financial Report for the six months ended 31 December 2016**

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**This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2016 and in accordance with the continuous disclosure requirements of the Corporations Act 2001.**

## Directors' report

The Directors of Quattro RE Limited ("**Quattro**" or "**Responsible Entity**"), the Responsible Entity for the Ante Real Estate Trust ("**ATT**" or "**the Trust**") (formally Real Estate Capital Partners USA Property Trust) (ASX: ATT) present their report together with the interim condensed consolidated financial statements of the Consolidated Entity for the reporting period of six months ended 31 December 2016 and the independent auditor's review report thereon.

The Consolidated Entity comprises the Trust and the entities it controlled during the financial period. The Trust became a registered managed investment scheme under the *Corporations Act 2001* on 26 May 2005.

### Responsible Entity

The Responsible Entity has carried out the investment management function engaging specialist asset management services relevant to the remaining USA property asset of the Trust and expert consultants to assist in the review, implementation and management of the asset and Trust as required.

### Directors

The Directors of the Responsible Entity during or since the end of the reporting period are:

Ben Dillon	(Appointed 20 July 2012; Resigned 28 February 2017)
Antony Wood	(Appointed 20 July 2012; Resigned and appointed alternate Director 7 October 2014; Re-Appointed Director 28 November 2014)
Andrew Saunders	(Appointed 7 October 2014)
Mordi Benedikt	(Appointed 21 September 2016)

The Directors consider that because the majority of Directors during or since the end of the reporting period were non-executive and independent, an adequate segregation of responsibilities has applied during the reporting period between the investment management functions and corporate governance functions of the Trust.

### Principal activity

The Trust is a registered managed investment scheme domiciled in Australia. The principal activity of the Consolidated Entity during the reporting period was property investment in the United States of America (USA). There were no significant changes in the nature of the Consolidated Entity's activities during the reporting period. The Trust and the Consolidated Entity did not have any employees during the reporting period.

### Results and distributions

The Consolidated Entity's loss for the six months ended 31 December 2016 was \$1,271,000 (31 December 2015: loss \$1,836,000). The loss was largely attributable to a negative fair value movement of \$1,249,000 (2015: \$1,427,000) recognised in the current period on the investment property and a reduction in the fair value of the borrowings reducing borrowing cost expenses.

In accordance with the strategy of minimising the Trust's operating costs, other operating expenses for the half year were reduced to \$381,000 compared with \$618,000 for the previous corresponding period.

No distributions have been paid or are payable in respect of the current or immediately preceding corresponding period and the Directors of the Responsible Entity do not recommend the payment of a distribution.

## Directors' report (continued)

### Review of operations

#### ***Change of name to Ante Real Estate Trust***

On 25 October 2016 and following the completion of the Renounceable Entitlement Offer on 19 August 2016, the Trust changed its name to Ante Real Estate Trust (ASX:ATT) from Real Estate Capital Partners USA Property Trust (former ASX:RCU). The Board determined that the new name should reflect the forward looking nature of the Trust and its strategy given the Trusts sole property asset had been refurbished and the lease up strategy was progressing well.

#### ***Fund update and 1700 W Higgins, Chicago (Higgins)***

As a result of the strategic review and engagement with the major unitholders, ATT has adopted a strategy to minimize overhead costs, add value to the Higgins property prior to its sale and assess opportunities to create value, with the long term objective being to close the gap that exists between ATT's trading price and its net tangible asset (NTA) backing per Unit. The Responsible Entity considers that continued leasing of the property and attaining a stabilised occupancy rate in the range of 85% to 95%, will position ATT to realise the embedded added value in Higgins which forms a key focus of the Trusts strategy.

The Higgins property has been extensively refurbished and repositioned with these works being predominately funded by ATT's lender from loan proceeds and reserves. An active re-leasing strategy has been employed with three new long term tenants secured, increasing occupancy to 75%.

Higgins is subject to a loan of US\$11,000,000, which is a modified loan as noted in the 30 June 2016 financial statements and the ASX announcement dated 30 August 2013 (the Higgins loan). The Higgins loan has a maturity date of 1 March 2017. ATT and the lender are in negotiations to agree a further loan modification and extension. These negotiations are advanced and at a term sheet stage, however they are not legally binding, and as such it is expected that ATT will be in default on 2 March 2017. The lender however has advised they will continue to work towards the agreement of a loan modification after default occurs.

As at 31 December 2016, the Higgins asset was valued by the Board at US\$13,323,016 and at 30 June 2016 the value was US\$14,100,000. During the 6 month period to 31 December 2016, three new tenants committed to or moved into the Higgins asset, leasing a total of 43,000sqft and increasing occupancy to 75%. The reduction in value reflects the near term costs of leasing the asset. ATT is required to demonstrate US\$2.65m of tenant incentive funding to proceed with a 27,500sqft lease, with this funding currently tied to the loan modification.

The target occupancy for the asset is 85% to 95%. An independent valuer has valued the office asset at US\$18,200,000 at a stabilised occupancy of 91% assuming the billboard assets are excluded. A separate independent valuer has valued the billboard assets at US\$3,000,000. The total stabilized valuation for the Higgins asset is US\$21,200,000.

The forecast leasing costs to achieve 85% occupancy are US\$5.5m based on committed leases and current market terms for new leases as advised by the assets leasing brokers.

## **Directors' report (continued)**

### *O'Hare office market*

Recent statistics for the O'Hare office market highlight the following:

- Overall vacancy decreased from 16.7% in Q4/15 to 16.3% in Q4/16. The average vacancy over the past 5 years has fallen from 23.4% in 2010 to 16.3% currently,
- The O'Hare office market experienced the highest quarter on quarter of absorption in Q4/16 of 161,900sft,
- There is a flight to quality as A grade rents are pushed up, with well located B grade product that offers high tenant improvement benefiting as tenants show a willingness to pay higher rents for superior product,
- There was \$1.4 billion of transactions over 2016 making 4 consecutive years of suburban office market sales exceeding \$1billion.

### ***Capital management and other funding initiatives***

To assist in the Trust's strategy, the Responsible Entity has previously noted the need to source additional funding.

The Trust completed a renounceable entitlement offer on 19 August 2016 for approximately \$605,000 and has fully drawn down the non bank subordinated loan noted in the 30 June 2016 financial statements and in note 8 of these financial statements.

The Trust is in the process of finalising a number of additional capital management and funding initiatives including a modification of the Higgins loan and an Equity Funding Package.

### ***Foreign exchange movements***

As nearly all of the Trust's assets and liabilities are denominated in US\$ and the Trust's earnings are generated in US\$, movements in the US\$/A\$ exchange rate have a material impact on the Trust's NTA and its earnings.

During the course of the period the A\$ depreciated against the US\$ from a spot rate of \$0.7426 at 30 June 2016 to a spot rate of \$0.7236 at 31 December 2016. The Trust's Statement of Financial Position is prepared using predominately the spot rate at 31 December 2016.

From an earnings perspective the average A\$/US\$ exchange rate for the 6 month period was \$0.7546 compared with the average exchange rate over the prior corresponding 6 month period of \$0.7232. The Trust's Statement of Profit or loss and other Comprehensive Income are prepared using predominately the average exchange rate over the period.

## **Directors' report (continued)**

### **Events subsequent to the end of the reporting period**

The Trust has advanced negotiations to modify the Higgins loan. It is expected the loan will enter default on 2 March 2017, however the lender has indicated that they wish to continue to negotiate a loan modification.

In order to meet the financial obligations of the Trust, the Responsible Entity has entered into a non binding term sheet with a third party capital provider that will provide funding in the form of a Convertible Note Issue, Renounceable Entitlement Offer and Credit Support (Equity Funding Package). The proceeds of the Equity Funding Package will be used to fund the Higgins loan modification, the non bank subordinated loan and for general working capital purposes. As part of the Equity Funding Package, it is likely the Responsible Entity will be internalised and the Board restructured.

### ***Business strategies and Prospects***

The business strategies of the Trust are to;

- Actively realise the embedded value in the Higgins asset.
- Optimise the future net asset value of the Trust.
- Utilise the potential tax losses to enhance future returns.

The risks to the business strategy include commercial risks such as loan default, the sourcing and securing of suitable capital and depletion of cash reserves over time, amongst other risks.

### **Going concern**

The consolidated interim financial report of the Trust has been prepared on a going concern basis which contemplates continuity of normal business activities and the realization of assets and the settlement of liabilities in the normal course of business. This approach should be carefully considered in the context of the following information:

#### ***Working capital***

The consolidated interim statement of financial position discloses that the Consolidated Entity had a deficiency of working capital (being the amount of payables in excess of cash and cash equivalents and trade and other receivables) of \$1,658,000 (30 June 2016: \$1,874,000). Included in payables are the amounts payable to the Responsible Entity and Zerve Pty Ltd \$77,000 (30 June 2016: \$420,000), rent received in advance of \$100,000 (30 June 2016: \$30,000) and accrued real estate taxes of \$825,000 (30 June 2016: \$598,000). These amounts, which total \$1,002,000 (30 June 2016: \$1,048,000) are not immediately payable or refundable to tenants, and accordingly, once excluded from the calculation, the Consolidated Entity's deficiency of working capital would be reduced to \$656,000 (30 June 2016: \$826,000).

The Consolidated Entity currently does not receive consistent cash income and will not do so until the occupancy of the Higgins property exceeds 90%. The Consolidated Entity continues to require cash to settle its ongoing operating expenses and accordingly, requires additional financing and capital to meet these obligations as is currently being finalised. The available cash and cash equivalent balances as at 31 December 2016 were \$46,000 (30 June 2016: \$24,000).



*Cashflow budgets*

The Responsible Entity has prepared cash flow budgets through to 28 February 2018 which indicates that the Consolidated Entity will have sufficient funds to meet its short term working capital and financing requirements.

Critical assumptions in the cash flow include the proposed Equity Funding Package being completed and the finalisation of the modification of the current Higgins loan post 1 March 2017 being the current maturity date.

*Conclusion*

The Directors of the Responsible Entity have determined that because the cash flow budgets prepared above indicate that there are reasonable grounds to consider that the Consolidated Entity will be able to pay its debts as and when they become due and payable, that the preparation of the financial report on a going concern basis to be appropriate. However, if the Responsible Entity is unable to execute its strategy and critical assumptions as planned and cash flow projections are not achieved, there is significant uncertainty that the Trust would be able to meet its financial obligations as and when they fall due and continue as a going concern and as such the Consolidated Entity may be required to realise assets which may be at amounts less than that stated in the financial statements.

## Directors' report (continued)

### Interest of the Responsible Entity

As at 31 December 2016, there were nil units held by the Responsible Entity (31 December 2015: 784,674 units) in trust.

Mr Ben Dillon holds 3,280 units in the Trust, Mr Andrew Saunders and his associates hold 3,412,964 units in the Trust and Mr Mordi Benedikt and his associates hold 1,991,335 units in the Trust.

### Responsible Entity fees, related party fees and other transactions

Except as disclosed in this report or in the notes to the consolidated financial statements, no Director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity or a related entity with a Director or with a firm of which a Director is a member or with an entity of which a Director of the Responsible Entity has a substantial interest. Directors of the Responsible Entity are paid directors' fees by the Responsible Entity from its own resources.

All transactions with related parties are conducted on commercial terms and conditions.

Costs incurred by the Responsible Entity in managing the Trust include the cost of advisers to provide the fund management, asset management, legal, accounting and other services. These costs are included in expense recoveries.

		6 months ended 31 December	
		2016	2015
		\$	\$
<b>Transactions with related parties - Consolidated</b>			
<i>Charged by the Responsible Entity</i>			
• management fees	(see i below)	45,000	45,000
• expense recoveries		60,000	194,804
<i>Charged by Zerve Pty Limited</i>			
US asset management fees		39,591	184,755
		<b>144,591</b>	<b>424,559</b>

### Notes relating to both periods – 6 months ended 31 December 2015 and 2016

- i Responsible Entity fees are calculated on the following basis:
  - 3% of the effective gross income of the Trust in accordance with the Trust's Constitution.

**Directors' report (continued)**

**Lead auditor's independence declaration**

The lead auditor's independence declaration as required by section 307C of the Corporations Act 2001 is set out on page 8 and forms part of this Directors' Report for the period ended 31 December 2016.

**Rounding off**

The Trust and Consolidated Entity are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Responsible Entity:



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Andrew Saunders

Director

Sydney, 28 February 2017



# PITCHER PARTNERS

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## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF QUATTRO RE LIMITED AS RESPONSIBLE ENTITY OF ANTE REAL ESTATE TRUST

I declare that, to the best of my knowledge and belief there has been:

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

M A GODLEWSKI  
Partner

PITCHER PARTNERS

Sydney

28 February 2017

		Consolidated	
		31 December 2016	31 December 2015
Condensed consolidated interim statement of profit or loss and other comprehensive income for the six months ended 31 December 2016		\$'000	\$'000
<b>Revenue and other income</b>			
Rental income from investment properties		740	681
Recoverable outgoings from investment properties		604	663
Net gain on foreign exchange		(20)	32
<b>Total revenue and other income</b>		<b>1,324</b>	<b>1,376</b>
<b>Expenses</b>			
Property expenses		916	1,194
Responsible Entity fees	11	45	45
Custodian fees		6	(130)
Borrowing costs		810	655
Other operating expenses		381	618
<b>Total expenses</b>		<b>2,158</b>	<b>2,382</b>
Change in fair value of investment property	7	(1,249)	(1,427)
Change in fair value of financial liability	8	812	597
<b>Profit/(loss) for the period before income tax</b>		<b>(1,271)</b>	<b>(1,836)</b>
Income tax		-	-
<b>Profit/(loss) for the period</b>		<b>(1,271)</b>	<b>(1,836)</b>

Continued on page 9

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

		Consolidated	
Condensed consolidated interim statement of profit or loss and other comprehensive income for the six December 2016	Note	31 December 2016	31 December 2015
		\$'000	\$'000
Profit/(loss) for the period		(1,271)	(1,836)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		65	69
Total other comprehensive income/(loss)		65	69
Total comprehensive profit/(loss) for the period		(1,206)	(1,767)
Total comprehensive profit/(loss) for the period attributable to unitholders		(1,206)	(1,767)
Earnings per unit for profit attributable to the ordinary equity holders of the trust		Cents	Cents
Basic and diluted earnings/(loss) per unit	9	(6.23)	(14.95)

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

**Condensed consolidated interim statement of changes in equity  
for the six months ended 31 December 2016**

<b>Consolidated Entity</b>	<b>Issued capital \$'000</b>	<b>Translation reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
<b>2015</b>				
Balance at 30 June 2015	203,707	3,868	(203,340)	4,235
<b>Total comprehensive income for the period</b>				
Profit for the period	-	-	(1,836)	(1,836)
Translation of foreign operations	-	69	-	69
Total comprehensive income for the period	-	69	(1,836)	(1,767)
<b>Transactions with owners, recorded directly in equity</b>				
Units issued	-	-	-	-
Total transactions with owners	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>203,707</b>	<b>3,937</b>	<b>(205,176)</b>	<b>2,468</b>
<b>2016</b>				
Balance at 30 June 2016	203,832	3,875	(205,833)	1,874
<b>Total comprehensive income for the period</b>				
Loss for the period	-	-	(1,271)	(1,271)
Translation of foreign operations	-	65	-	65
Total comprehensive income for the period	-	65	(1,271)	(1,206)
<b>Transactions with owners, recorded directly in equity</b>				
Units issued	534	-	-	534
Total transactions with owners	534	-	-	534
<b>Balance at 31 December 2016</b>	<b>204,366</b>	<b>3,940</b>	<b>(207,104)</b>	<b>1,202</b>

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

Condensed consolidated interim statement of financial position as at 31 December 2016	Note	Consolidated	
		31 December 2016 \$'000	30 June 2016 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		46	24
Trade and other receivables	4	84	4
Other assets	5	175	159
<b>Total current assets</b>		<b>305</b>	<b>187</b>
<b>Non-current assets</b>			
Investment properties	7	18,412	18,987
Other assets	5	2,133	1,726
<b>Total non-current assets</b>		<b>20,545</b>	<b>20,713</b>
<b>Total assets</b>		<b>20,850</b>	<b>20,900</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6	1,788	1,731
Unsecured loan – Zerve Pty Ltd		-	171
Financial liabilities, at fair value	8	16,531	16,688
<b>Total current liabilities</b>		<b>18,319</b>	<b>18,590</b>
<b>Non-current liabilities</b>			
Trade and other payables	6	131	87
Non bank subordinated loan	8	1,198	349
<b>Total non-current liabilities</b>		<b>1,329</b>	<b>436</b>
<b>Total liabilities</b>		<b>19,648</b>	<b>19,026</b>
<b>Net assets</b>		<b>1,202</b>	<b>1,874</b>
<b>Equity</b>			
Issued capital		204,366	203,832
Reserves		3,940	3,875
Accumulated losses		(207,104)	(205,833)
<b>Total equity</b>		<b>1,202</b>	<b>1,874</b>

*The condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.*



Condensed consolidated interim statement of cash flows for the six months ended 31 December 2016	Consolidated	
	31 December 2016	31 December 2015
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts in the course of operations	1,239	1,970
Payments in the course of operations	(2,328)	(1,744)
Payments of interest and other borrowing costs	(463)	(631)
<b>Net cash used in operating activities</b>	<b>(1,552)</b>	<b>(405)</b>
<b>Cash flows from investing activities</b>		
Interest received	-	-
Payments for improvements to investment properties	(181)	(1,379)
Transfer funds to capital reserve	455	1,427
<b>Net cash from/(used in) investing activities</b>	<b>274</b>	<b>48</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	762	-
Proceeds from issue of units	560	-
<b>Net cash from financing activities</b>	<b>1,322</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents	44	(357)
Cash and cash equivalents at 1 July 2016	24	637
Effect of exchange rate fluctuations on cash held	(22)	(3)
<b>Cash and cash equivalents at 31 December 2016</b>	<b>46</b>	<b>277</b>

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

**Notes to the condensed consolidated interim financial statements  
for the six months ended 31 December 2016**

**1. Reporting entity**

Ante Real Estate Trust (the “**Trust**”), is a registered managed investment scheme under the *Corporations Act 2001*. The condensed consolidated interim financial report of the Trust as at and for the reporting period of six months ended 31 December 2016 comprises the Trust and its subsidiaries (together referred to as the “**Consolidated Entity**” and individually as “**Group entities**”). The principal activities of the Consolidated Entity during the financial period were the derivation of rental income from an investment property located in the United States of America (“**USA**”).

The responsible entity of the Trust is Quattro RE Limited (the “**Responsible Entity**” or “**Quattro**”).

**2. Basis of preparation**

**(a) Statement of compliance**

The condensed consolidated interim financial report is a general purpose condensed financial report which has been prepared for a for-profit entity for the reporting period ended 31 December 2016 and which has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The consolidated interim financial report does not include all of the information required for an annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2016 and the ASX announcements released during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial statements are presented in Australian Dollars and all values are rounded to the nearest thousand dollars (\$'000) except where otherwise stated. The condensed financial report has also been prepared on a historical cost basis, except for investment properties and loans designated at fair value through profit and loss, which have been measured at fair value.

The financial statements were approved by the Directors of the Responsible Entity on 28 February 2017.

**(b) Use of estimates and judgments**

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing the condensed consolidated interim financial statements, the judgements made by the Responsible Entity in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2016.

## **2. Basis of preparation (continued)**

### **(c) Going concern**

The preparation of financial statements on a going concern basis contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

#### *Working capital*

The consolidated interim statement of financial position discloses that the Consolidated Entity had a deficiency of working capital (being the amount of payables in excess of cash and cash equivalents and trade and other receivables) of \$1,658,000 (30 June 2016: \$1,874,000). Included in payables are the amounts payable to the Responsible Entity and Zerve Pty Ltd \$77,000 (30 June 2016: \$420,000), rent received in advance of \$100,000 (30 June 2016: \$30,000) and accrued real estate taxes of \$825,000 (30 June 2016: \$598,000). These amounts, which total \$1,002,000 (30 June 2016: \$1,048,000) are not immediately payable or refundable to tenants, and accordingly, once excluded from the calculation, the Consolidated Entity's deficiency of working capital would be reduced to \$656,000 (30 June 2016: \$826,000).

The Consolidated Entity currently does not receive consistent cash income and will not do so until the occupancy of the Higgins property exceeds 90%. The Consolidated Entity continues to require cash to settle its ongoing operating expenses and accordingly, requires additional financing and capital to meet these obligations as is currently being finalised. The available cash and cash equivalent balances as at 31 December 2016 were \$46,000 (30 June 2016: \$24,000)

#### *Finance Facilities*

It is expected that the Trust will be in default on 2 March 2017, however negotiations are advanced and the lender has advised they will continue to work towards the agreement of a loan modification.

#### *Cashflow budgets*

The Responsible Entity has prepared cash flow budgets through to 28 February 2018 which indicates that the Consolidated Entity will have sufficient funds to meet its short term working capital and financing requirements. Critical assumptions in the cash flow include the proposed Equity Funding Package being completed and the finalisation of the modification of the current Higgins loan post 1 March 2017 being the current maturity date.

#### *Conclusion*

The Directors of the Responsible Entity have determined that because the cash flow budgets prepared above indicate that there are reasonable grounds to consider that the Consolidated Entity will be able to pay its debts as and when they become due and payable, that the preparation of the financial report on a going concern basis to be appropriate. However, if the Responsible Entity is unable to execute its strategy and critical assumptions as planned and cash flow projections are not achieved, there is significant uncertainty that the Trust would be able to meet its financial obligations as and when they fall due and continue as a going concern and as such the Consolidated Entity may be required to realise assets which may be at amounts less than that stated in the financial statements.

## **3. Significant accounting policies**

The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those followed in the preparation of the Consolidated Entity's annual financial statements as at 30 June 2016.

4. Trade and other receivables

	Consolidated	
	31 December	30 June
	2016	2016
	\$'000	\$'000
Trade receivables	84	-
Other receivable	-	4
	<b>84</b>	<b>4</b>

5. Other assets

	Consolidated	
	31 December	30 June
	2016	2016
	\$'000	\$'000
<b>Current</b>		
Prepaid expenses	74	35
Withholding tax receivable	101	124
	<b>175</b>	<b>159</b>
<b>Non-current</b>		
Property related deposits*	2,133	1,726
	<b>2,133</b>	<b>1,726</b>

\* Property related deposits are comprised of tenant improvement reserves, capital replacement reserves, insurance escrows and real estate taxes escrows held in the United States.

Property related deposits relating to the Higgins property are classified as non-current assets to align with the non-current asset classification of the property.

6. Trade and other payables

	Consolidated	
	31 December	30 June
	2016	2016
	\$'000	\$'000
<b>Current</b>		
Trade payables	792	1,024
Rent received in advance	100	30
Accrued real estate taxes	825	598
Accrued interest payable	82	79
GST payable (receivable)	(11)	-
	<b>1,788</b>	<b>1,731</b>
<b>Non-current</b>		
Tenants' security deposits	131	87
	<b>131</b>	<b>87</b>

## 7. Investment properties

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
<b>Non- current</b>		
Investment properties – at fair value	18,412	18,987
	<b>18,412</b>	<b>18,987</b>
<i>The movement in the carrying amount is reconciled as follows:</i>		
Carrying amount at the beginning of the year	18,987	18,359
Lease straight-lining	38	33
Improvements to investment properties (including tenant incentives)	178	1,506
Gain due to foreign currency translation	458	628
Fair value decrement of investment properties	(1,249)	(1,539)
<b>Carrying amount at the end of the period</b>	<b>18,412</b>	<b>18,987</b>
<b>Comprising of:</b>		
Deferred rental income	1,275	1,203
Fair value of properties (excluding straight-lining)	17,137	17,784
	<b>18,412</b>	<b>18,987</b>

The fair value of investment property (including straight-lining) at 31 December 2016 is as set out in the following table. Amounts are presented in both A\$ and US\$ for comparative purposes.

Property	31 December 2016 US\$'000	31 December 2016 A\$'000	30 June 2016 US\$'000	30 June 2016 A\$'000
Higgins, Illinois	13,323	18,412	14,100	18,987
	<b>13,323</b>	<b>18,412</b>	<b>14,100</b>	<b>18,987</b>

### Measurement of fair value

Investment properties are measured at fair value with any change therein recognised in profit or loss.

#### (i) Fair value hierarchy

The Trust has an internal valuation process for determining the fair value at each reporting date. An independent valuer, having an appropriate professional qualification and recent experience in the location and category of the property being valued, values individual properties annually or more regularly if considered appropriate. These external valuations are taken into consideration by the Directors of the Responsible Entity when determining the fair values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

An independent valuation of the Higgins property was conducted as at 31 December 2016 by Colliers International.

The fair value measurement for investment property of \$18,412,000 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 7(ii) below).

## 7. Investment properties (continued)

### (ii) Level 3 fair value

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values.

	\$'000
Balance at the beginning of the year	18,987
Items included in profit and loss	
• Change in fair value of investment property	(1,249)
• Rental income (Lease straight lining)	38
Item included in other comprehensive income	
• Gain due to foreign currency translation	458
• Improvements to investment properties	178
Balance at the end of the year	<b>18,412</b>

### Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth rate, vacancy periods, occupancy rate, lease incentive costs such as rent free periods and other costs not paid for by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the determination of an appropriate discount rate takes into consideration the quality and location of the building, tenant credit quality and lease terms.	<ul style="list-style-type: none"> <li>Expected market rental growth: 2.0 – 3.0% p/a</li> <li>Current occupancy rate: 75%</li> <li>Lease up or absorption periods for vacant space: Commences Jun 17 and ends Dec 18. Total lease up period of 23 months. Average absorption per month of 1,527sft</li> <li>Vacancy period between leases: 6-9 months</li> <li>Vacancy factor: 8% commencing in year 3 when property has reached stabilised occupancy</li> <li>Sale of Billboards and associate income of US\$3.0m shown as inflow</li> <li>Risk adjusted discount rate: 8.5%</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>Expected market rental growth was higher/(lower)</li> <li>The current occupancy rate was higher/(lower)</li> <li>The lease up or absorption period of the vacant space was shorter/(longer)</li> <li>The vacancy periods between leases was shorter/(longer)</li> <li>The vacancy factor is lower/(higher)</li> <li>The stabilized occupancy is higher/(lower)</li> <li>The risk adjusted discount rate was lower/(higher)</li> </ul>

## 8. Financial liabilities

	Consolidated	
	31 December	30 June
	2016	2016
	\$'000	\$'000
<b>Current</b>		
Bank loans – secured at fair value	16,279	16,688
Other borrowings–non bank subordinated loan interest	252	-
<b>Total loans and borrowings</b>	<b>16,531</b>	<b>16,688</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current</b>		
Other borrowings – non bank subordinated loan	1,198	349
<b>Total loans and borrowings</b>	<b>1,198</b>	<b>349</b>

### Material terms and conditions

#### *Higgins loan (Bank loans secured at fair value)*

On 30 August 2013 Mariner Higgins LLC ("Borrower") entered into a loan modification agreement with the secured lender which enabled it to retain control of the property. Upon completion of the loan modification agreement the fair value of the secured loan was re-evaluated in accordance with the capital event waterfall (see below) and reclassified from current to non-current liability. The material terms of the current agreement include:

- A Note of US\$11.0m with a maturity date of 1 March 2017 bearing fixed interest at 6.25%pa. The maturity date can be extended to 1 March 2018 if there has been no event of default and a 1% extension fee is paid;
- B Note of US\$6.0m. The note will accrue fixed interest at 6.25% pa. but the interest is only payable (a) if an event of default occurs or (b) in accordance with the capital event waterfall set out below;
- Borrower contributed US\$1.26m initially to a capital reserve (equity contribution) accruing a 10% p.a. cumulative coupon. The coupon is payable and the amount contributed is repayable if (a) there is no event of default and (b) in accordance with the cash flow and capital event waterfalls set out below;
- The equity contribution is added to the existing capital reserve accounts and used for the purpose of paying for leasing, tenant incentives, capital works and building improvements. The Borrower will not be required to make any further monthly contributions to the capital reserve accounts but is entitled to make further equity contributions of up to US\$2.0 million. In the event that additional contributions are made, a similar amount can be withdrawn from an existing capital reserve account up to US\$792,364;
- The coupon on the capital contribution is paid in accordance with the cash flow waterfall so that the cash flow received is disbursed firstly to pay property taxes, secondly for insurance, thirdly to operating expenses, fourthly to the payment of the interest on the A Note, fifthly to any fees to the loan servicer, and lastly to the capital reserve account until 90% occupancy of the property is achieved after which 50% will be paid on account of the coupon accruing on the capital contribution ("**cash flow waterfall**");
- In the event that the property is sold or refinanced between 1 December 2016 and the maturity date and no event of default has occurred, the capital event waterfall is first to the A note holder (the lender) of principal and any unpaid interest; secondly in repayment of the Borrower's contributions to the capital reserve plus accrued coupon; thirdly 50:50 between the B Note holder up to an amount equal to the B note and interest accrued on the B note and the Borrower and thereafter to the Borrower ("**capital event waterfall**");
- The property cannot be sold without the lender's consent prior to 1 December 2016;
- The modification is personal to the Borrower and can only be passed on to third parties if approved by the lender.

**8. Financial liabilities (continued)**

The Borrower has paid to the lender a modification fee of US\$170,000 and legal and other third party costs. There are no financial covenants in respect of the current loan facilities.

As at 28 February 2017 non binding terms are being negotiated to modify the current Higgins loan. The lender advised they will continue to work towards a loan modification after 1 March 2017 which is the current maturity date and expected default date.

**Material terms and conditions**

*Other borrowings (Non bank subordinated loan)*

The key terms of the Non Bank Loan are as follows:

- 1 Total loan amount: US\$900,000
2. Repayment date: Earlier of 31 March 2018 or the sale of the Higgins asset.
3. Coupon: total of US\$900,000 payable in four tranches through to 31 March 2018. The Non Bank Loan is structured so that the majority of the coupon payments are timed to coincide with the sale of Higgins.
4. Conversion into RCU equity: Up to a maximum of US\$200,000 at lenders discretion. The conversion is subject to the following:



## 8. Financial liabilities (continued)

- (a) A meeting of unitholders to be convened to approve the conversion of the nominated portion of the Non Bank Loan into RCU equity at the time the lender elects to convert (to date the lender has made no election to convert any portion of the Non Bank Loan).
- (b) The issue price of units applicable for the conversion will be either:
  - (i) If at the time of conversion, a placement or capital raising process is underway, the issue price applicable in respect of the relevant placement or capital raising.
  - (ii) In all other circumstances the issue price will be equal to the 5 day volume weighted average price immediately prior to the date the units are to be issued.

### Financial liability fair values

#### *Determination of fair value*

The fair value of the Higgins loan has been determined as the amount which would be payable under the capital event waterfall - (substituting the 31 December 2016 fair value of the property see Note 7 above) as a proxy for the sale proceeds received. Directors of the Responsible Entity consider the book value of the Higgins secured loan to be a reasonable approximation of fair value.

#### *Fair value hierarchy*

AASB 13 – Fair Value Measurement requires the disclosure of fair value measurements in accordance with the following fair value measurement hierarchy:

- Level 1: quotes prices (unadjusted) in active markets for identical liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the liability, either directly or indirectly, and
- Level 3: inputs for the liability that are not based on observable market data

Directors of the Responsible Entity consider the Higgins loan fair value to be determined in accordance with Level 3 measurements.

The table below analyses financial instruments measured at fair value at the end of reporting period by the level in the fair value hierarchy in to which the fair value measurement is categorised:

as at 31 December 2016	Level 3 \$'000	Total \$'000
<b>Financial liabilities at fair value through profit or loss</b>		
Bank loans (secured)	16,279	16,279

## 8. Financial liabilities (continued)

### Valuation techniques and significant unobservable inputs

The following table show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	<i>Discounted cash flows:</i> The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payments are determined by considering the actual interest payable on the loan and the amount expected to be paid to the secured lender at maturity under the capital event waterfall (Refer Note 13).	<ul style="list-style-type: none"> <li>Risk-adjusted discount rate (2016: 6.25%)</li> <li>Valuation of secured property (2016: \$18,412,000) (Refer Note 7)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>the risk-adjusted discount rate were lower (higher)</li> <li>the valuation of the secured property was higher (lower)</li> </ul>

### Reconciliation of Level 3 fair values

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Contingent consideration \$'000
Balance as at 1 July 2016	16,688
Change in fair value of borrowings	(812)
Gain due to foreign currency translation	403
<b>Balance as at 31 December 2016</b>	<b>16,279</b>

## 9. Earnings per unit

The calculation of basic earnings per unit at 31 December 2016 was based on the loss attributable to unitholders of the Trust of \$1,271,000 (31 December 2015 loss: \$1,836,000) and a weighted average number of units outstanding of 20,412,042 (31 December 2015: 12,281,540), calculated as follows:

	As at 31 December	
	2016 \$'000	2015 \$'000
Net profit/(loss) attributable to unitholders of the Trust	(1,271)	(1,836)
	As at 31 December	
	2016	2015
Weighted average number of units (basic)		
Issued units at 1 July 2016	14,123,771	12,281,540
Impact of units issued during period	6,288,271	-
Weighted average number of units at 31 December 2016	20,412,042	12,281,540

### *Diluted earnings per unit*

As there are no diluting factors in the reporting period and comparative period, the diluted loss per unit is equal to the basic.

## 10. Operating segments

The main business of the Consolidated Entity is investment in property which is leased to third parties. The property investments are located in the United States of America.

The Consolidated Entity has two reportable segments, based on the geographical location of each segment. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit or loss after income tax as included in the internal management reports that are reviewed by the Chief Executive Officer ("CEO") of the Responsible Entity. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The amounts set out on the following page are expressed in AUD but represent amounts that are denominated in USD and converted to AUD on consolidation.

**10. Operating segments (continued)**

<b>Consolidated Entity – 6 months ended 31 December 2015</b>	<b>USA</b>	<b>Australia</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
External revenues	1,344	-	1,344
Interest income	-	-	-
Net gain on foreign exchange	-	32	32
Gain on foreclosure	-	-	-
Other income	-	-	-
<b>Total income</b>	<b>1,344</b>	<b>32</b>	<b>1,376</b>
Borrowing costs	653	2	655
Other operating expenses	1,503	224	1,727
<b>Total expenses</b>	<b>2,156</b>	<b>226</b>	<b>2,382</b>
Changes in equity accounted joint venture			
Change in fair value of financial liability	597	-	597
Changes in fair value of investment properties	(1,427)	-	(1,427)
<b>Profit/(Loss) before income tax</b>	<b>(1,642)</b>	<b>(194)</b>	<b>(1,836)</b>
Income tax	-	-	-
<b>Profit/(Loss) after income tax</b>	<b>(1,642)</b>	<b>(194)</b>	<b>(1,836)</b>
<b>Segment assets</b>	<b>21,722</b>	<b>319</b>	<b>22,041</b>
<b>Segment liabilities</b>	<b>21,624</b>	<b>(2,051)</b>	<b>19,573</b>

<b>Consolidated Entity – 6 months ended 31 December 2016</b>	<b>USA</b>	<b>Australia</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
External revenues	1,344	-	1,344
Interest income	-	-	-
Net gain on foreign exchange	-	(20)	(20)
Gain on debt modification	-	-	-
Other income	-	-	-
<b>Total income</b>	<b>1,344</b>	<b>(20)</b>	<b>1,324</b>
Borrowing costs	463	347	810
Other operating expenses	1,097	251	1,348
<b>Total expenses</b>	<b>1,560</b>	<b>598</b>	<b>2,158</b>
Changes in equity accounted joint venture	-	-	-
Change in fair value of financial liability	812	-	812
Changes in fair value of investment properties	(1,249)	-	(1,249)
<b>Profit/(Loss) before income tax</b>	<b>(653)</b>	<b>(618)</b>	<b>(1,271)</b>
Income tax	-	-	-
<b>Profit/(Loss) after income tax</b>	<b>(653)</b>	<b>(618)</b>	<b>(1,271)</b>
<b>Segment assets</b>	<b>20,676</b>	<b>174</b>	<b>20,850</b>
<b>Segment liabilities</b>	<b>17,872</b>	<b>1,776</b>	<b>19,648</b>

# **11. Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of the key management of the Trust. Related party transactions are transfers of resources, services or obligations between related parties and the Trust, regardless of whether a price has been charged.

Quattro RE Limited (the "Responsible Entity") and its related party, Zerve Pty Limited (a company controlled by Andrew Saunders, a Director of the Responsible Entity) are considered to be related parties of the Trust.

## **Key management personnel**

The Trust does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Trust and this is considered the Key Management Personnel ("KMP").

The Directors of the Responsible Entity at any time during the reporting period were as follows:

Ben Dillon	(Appointed 20 July 2012; Resigned 28 February 2017)
Antony Wood	(Appointed 20 July 2012; Resigned and appointed alternate Director 7 October 2014; Re-Appointed Director 28 November 2014)
Andrew Saunders	(Appointed 7 October 2014)
Mordi Benedikt	(Appointed Non-Executive Director 21 September 2016)

## **Responsible Entity fees, related party fees and other transactions**

Except as disclosed in these consolidated financial statements, no Director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity or a related entity with a Director or with a firm of which a Director is a member or with an entity of which a Director of the Responsible Entity has a substantial interest. Directors of the Responsible Entity are paid directors' fees by the Responsible Entity from its own resources.

All transactions with related parties are conducted on normal commercial terms and conditions.

		6 months ended 31 December	
		2016	2015
		\$	\$
<b>Transactions with related parties - Consolidated</b>			
<i>Charged by the Responsible Entity</i>			
• management fees	(see i below)	45,000	45,000
• expense recoveries		60,000	194,804
<i>Charged by Zerve Pty Limited</i>			
• US asset management fee:		39,591	184,755
		<b>144,591</b>	<b>424,559</b>

## **Notes relating to both periods – 6 months ended 31 December 2015 and 2016**

- i Responsible Entity fees are calculated on the following basis:
  - 3% of the effective gross income of the Trust in accordance with the Trust's Constitution.

# 11. Related parties (continued)

## **Unit holdings of the Responsible Entity and its key management personnel**

As at 31 December 2016 there were nil units held by the Responsible Entity (31 December 2015: 784,674 units) in trust.

Mr Ben Dillon holds 3,280 units in the Trust, Mr Andrew Saunders and his associates hold 3,412,964 units in the Trust and Mr Mordi Benedikt and his associates hold 1,991,335 units in the Trust.

## **Related party investments held by the Trust**

As at 31 December 2016 the Trust held no investments in the Responsible Entity or their associates (31 December 2015: Nil).

# 12. Financial instruments

## **Financial risk management**

The Consolidated Entity's financial risk management objectives and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2016.

## **Accounting classifications and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2016	Carrying amount					Fair value			
	Note	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets not measured at fair value</b>									
Trade and other receivables	4	-	84	-	84	-	-	-	-
Cash and cash equivalents		-	46	-	46	-	-	-	-
<b>Financial liabilities measured at fair value</b>									
Bank Loans – secured	8	16,279	-	-	16,279	-	-	16,279	16,279
<b>Financial liabilities not measured at fair value</b>									
Trade payables	6	-	-	1,919	1,919	-	-	-	-
Borrowings		-	-	1,450	1,450	-	-	-	-
<b>30 June 2016</b>									
<b>Financial assets not measured at fair value</b>									
Trade and other receivables	4	-	4	-	4	-	-	-	-
Cash and cash equivalents		-	24	-	24	-	-	-	-
<b>Financial liabilities measured at fair value</b>									
Bank Loans – secured	8	16,688	-	-	16,688	-	-	16,688	16,688
<b>Financial liabilities not measured at fair value</b>									
Trade payables	6	-	-	1,818	1,818	-	-	-	-
Unsecured loan		-	-	171	171	-	-	-	-
Borrowings		-	-	349	349	-	-	-	-

**12. Financial instruments (continued)**

***Capital management***

Other than disclosed in this report and the 30 June 2016 Annual Report, there were no capital management initiatives for the six months ended 31 December 2016.

**13. Contingent assets and liabilities and commitments**

***Contingent liabilities***

In the opinion of the Responsible Entity there are no contingent assets, contingent liabilities or commitments subsisting at or arising since the reporting date not otherwise disclosed in this report.

**14. Events subsequent to reporting date**

The Trust has advanced negotiations to modify the Higgins loan. It is expected the loan will enter default on 2 March 2017, however the lender has indicated that they wish to continue to negotiate the loan modification.

In order to meet the financial obligations of the Trust, the Responsible Entity has entered into a non binding term sheet with a third party capital provider that will provide funding in the form of a Convertible Note Issue, Renounceable Entitlement Offer and Credit Support (Equity Funding Package). The proceeds of the Equity Funding Package will be used to fund the Higgins loan modification, the non bank subordinated loan and for general working capital purposes. As part of the Equity Funding Package, it is likely the Responsible Entity will be internalised and the Board restructured.

**Directors' declaration**

1 In the opinion of the Directors of Quattro RE Limited ("Responsible Entity"), the Responsible Entity for the Ante Real Estate Trust ("Trust"):

(a) the consolidated financial statements and notes, set out on pages 9 to 27, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the six months ended on that date; and

(ii) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Responsible Entity:



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Andrew Saunders  
Director

Sydney, 28 February 2017





**PITCHER PARTNERS**

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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF ANTE REAL ESTATE TRUST**

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

We have reviewed the accompanying half-year financial report of Ante Real Estate Trust (the "Trust"), which comprises the condensed consolidated interim statement of financial position as at 31 December 2016, and the condensed consolidated interim statement of profit or loss and other comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ante Real Estate Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE UNITHOLDERS OF ANTE REAL ESTATE TRUST**

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ante Real Estate Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2(c) to the financial statements which state that the Trust has a deficiency of working capital (being the amount in payables in excess of cash and cash equivalents and trade and other receivables) of \$1,658,000, had a loss for the six months ended 31 December 2016 of \$1,271,000 and does not receive consistent cash income which can meet ongoing operating expenses. As set out in note 2(c), the Trust's loan facility matures on 1 March 2017 and it is expected to default on 2 March 2017. The trust's lender has advised they will continue to work towards the agreement of a loan modification. The Trust continues to require additional financing to meet obligations in the future which may include a raising of additional funds by way of borrowings and capital raising. These conditions indicate the existence of a material uncertainty which may cast significant doubt as to whether the Trust will be able to continue as a going concern and therefore the Trust may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial statements.



M A GODLEWSKI

Partner

28 February 2017



PITCHER PARTNERS

Sydney