

Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

Part 1

Name of Entity	Ante Real Estate Trust
ARSN	114 494 503
Financial Year Ended	30 June 2017
Previous Corresponding Reporting Period	12 months ended 30 June 2016

Part 2 – Results for Announcement to the Market

	2017	2016	Increase/ (Decrease)	Change
	\$'000	\$'000	\$'000	%
Revenue from ordinary activities	2,551	2,400	151	6.29%
Loss from ordinary activities after tax attributable to members	(2,802)	(2,493)	309	12.39%
Net loss attributable to members	(2,802)	(2,493)	309	12.39%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Not Applicable

Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Consolidated	
	2017	2016
	\$'000	\$'000
Revenue and other income		
Rental income from investment properties	1,364	1,281
Recoverable outgoings from investment	1,174	1,100
Interest income	1	1
Net gain/(loss) on foreign exchange	12	32
Other income	-	(14)
Total revenue and other income	2,551	2,400
Expenses		
Property expenses	1,874	1,857
Borrowing costs	1,504	1,102
Responsible Entity fees	78	90
Custodian fees	14	(119)
Other operating expenses	990	1,114
Total expenses	4,460	4,044
Change in fair value of investment property	(1,669)	(1,539)
Change in fair value of financial liability	776	690
Profit/(loss) before income tax	(2,802)	(2,493)
Income tax	-	-
Profit/(loss) for the year	(2,802)	(2,493)

Part 5 – Consolidated Accumulated losses

	Year Ended 30 June 2017 \$	Year Ended 30 June 2016 \$
Accumulated losses at the beginning of the year	(205,833)	(203,340)
Loss for the year	(2,802)	(2,493)
Accumulated losses at the end of the year	(208,635)	(205,833)

Part 6 – Consolidated Statement of Financial Position

	Consolidated	
	2017	2016
	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	1	24
Trade and other receivables	6	4
Other assets	113	159
Total current assets	120	187
Non-current assets		
Investment properties	17,169	18,987
Other assets	1,595	1,726
Total non-current assets	18,764	20,713
Total assets	18,884	20,900
Liabilities		
Current liabilities		
Trade and other payables	2,389	1,818
Unsecured loan – Zerve Pty Ltd	-	171
Non bank subordinated loan	1,636	-
Financial liabilities, at fair value	15,350	16,688
Total current liabilities	19,375	18,677
Non-current liabilities		
Non bank subordinated loan	-	349
Total non-current liabilities	-	349
Total liabilities	19,375	19,026
Net assets	(491)	1,874
Equity		
Issued capital	204,361	203,832
Reserves	3,783	3,875
Accumulated losses	(208,635)	(205,833)
Total equity	(491)	1,874

Part 7 – Consolidated Statement of Cash Flows

	Consolidated	
	2017	2016
	\$'000	\$'000
Cash flows from operating activities		
Receipts in the course of operations	2,471	2,449
Payments in the course of operations	(2,502)	(2,408)
Payments of interest and other borrowing costs	(906)	(977)
Net cash from/(used in) operating activities	(937)	(936)
Cash flows used in investing activities		
Interest received	1	1
Payments for improvements to investment properties	(443)	(1,506)
Transfer funds from/(to) capital reserve	131	1,228
Net cash from/(used in) investing activities	(311)	(277)
Cash flows from in financing activities		
Proceeds from borrowings	726	474
Proceeds from issue of units	529	125
Net cash from/(used in) financing activities	1,255	599
Net increase/(decrease) in cash and cash equivalents	7	(614)
Cash and cash equivalents at the beginning of the year	24	637
Effect of exchange rate fluctuations	(30)	1
Cash and cash equivalents at the end of the year	1	24

Part 8 – Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Part 9 – Loss from Ordinary Activities

The loss from ordinary activities before income tax includes the following items of revenue and

	Year Ended 30 June 2017 \$'000	Year Ended 30 June 2016 \$'000
REVENUES AND EXPENSES		
(a) Revenue from continuing operations	2,551	2,400
(b) General and Administration expense		
Audit and accounting at the Head Trust	69	88
Expense recovery	526	588
Legal	161	162
Other trust level expenses	81	91
Property general and administrative expenses	88	48
Registry services	24	52
Taxation	41	85
	990	1,114

Part 10 – Commentary on Results

The Consolidated Entity's loss for the year ended 30 June 2017 was \$2,802,000 (2016: \$2,493,000 loss). The 2016 loss was largely attributable to a negative fair value movement of \$1,669,000 (2016: \$1,539,000) recognised in the current period on the investment property and increased borrowing costs of \$1,504,000 (2016: \$1,102,000).

In accordance with the strategy of minimising the Trust's operating costs, other operating expenses for the year were reduced to \$990,000 compared with \$1,114,000 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.

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 Trust's sole property asset had been refurbished and the progress with the lease up strategy.

Part 10 – Commentary on Results (continued)

Fund update and 1700 W Higgins, Chicago (Higgins)

The Higgins property has been refurbished and repositioned to a class A-/B+ office property 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 76% at 30 June 2017.

The Responsible Entity considers that continued leasing of the property and attaining a stabilised occupancy rate in the target range of 80% to 90%, will position ATT to realise the embedded added value in Higgins, which forms a key focus of the Trust's strategy.

Higgins is subject to a loan of US\$17,000,000, which is a modified loan as noted in the financial statements and the ASX announcement dated 30 August 2013 (the Higgins loan). The Higgins loan matured 1 March 2017. On 28 July 2017 the Higgins loan was further modified and the maturity date was extended to 1 March 2019.

The extension of the maturity date of the Higgins loan to 1 March 2019 will provide additional time to reach the target occupancy range of 80% to 90%, realise the embedded value in Higgins and dispose of the asset.

As at 30 June 2017, the Higgins asset was valued independently with a book value of US\$13,200,000 and at 30 June 2016 the Higgins asset book value was US\$14,100,000.

The target occupancy for the asset is 80% to 90%. An independent valuer has valued the office asset at US\$18,000,000 at a stabilised occupancy of 90% excluding the billboard asset. A separate independent valuer has valued the billboard assets at US\$3,000,000. The total stabilized valuation for the Higgins asset is US\$21,000,000, including the billboard asset.

Part 10 – Commentary on Results (continued)

O'Hare office market

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

- Overall vacancy decreased from 17.2% in Q2/16 to 16.8% in Q2/17. The average vacancy over the past 5 years has fallen from 23.4% in 2010 to 16.8% currently.
- The O'Hare office market experienced overall negative net quarter absorption of approx. 100,000sft during the first two quarters of 2017 as the flight to quality by tenants continues. The negative net absorption was virtually all attributable to tenants moving out of lower quality C grade space, and upgrading to higher quality class A and B buildings across the suburban office markets.
- This flight to quality has resulted in class A/B O'Hare market office rents being pushed up from \$22-30sft in Q2/16 to \$23-\$31sft in Q2/17 with tenants continuing to show a willingness to pay higher rents for superior product as rents in class C product have remained flat over the same period.
- There was a total of US\$1.4 billion of sales transactions over 2016 with sales and properties under contact in the first two quarters of 2017 totalling US\$700 million, thereby setting expectations for another record year of sales transactions.

Capital management – equity funding package

As part of the recent Higgins loan modification to extend the maturity of the Higgins loan to 1 March 2019, the Trust also entered into an equity funding package as announced to the ASX on 1 August 2017.

The equity funding package will result in the issue of \$8,000,000 convertible preference units to the investor (subject to Unitholder approval) which will be detailed in the Notice of Meeting to be sent to all Unitholders on or before 30 September 2017.

As at the date of this report \$4,834,238 of the equity funding package has been drawn to fund costs and payments required to close the Higgins loan modification, amend the existing Non Bank Subordinated Loan and for working capital purposes.

Part 11 – Notes to the Consolidated Statement of Cash Flows

	Consolidated	
	2017	2016
	\$'000	\$'000
Profit/(loss) before tax	(2,802)	(2,493)
<i>Adjustments for:</i>		
Foreign exchange gain	(12)	(32)
Lease straight-lining	(40)	(33)
Changes in fair value of investment properties	1,669	1,539
Change in fair value of financial liability	776	(690)
Interest received classified as investing activity	(1)	(1)
Borrowing costs	1,504	1,102
	1,094	(608)
<i>Change in assets and liabilities during the financial year:</i>		
Change in trade and other receivables and other assets	44	662
Change in trade and other payables	(571)	112
Borrowing costs paid	(1,504)	(1,102)
	(2,031)	(328)
Net cash from/(used in) operating activities	(937)	(936)

Part 12 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 13 – Loss per Share

	Year Ended 30 June 2017	Year Ended 30 June 2016
Basic (loss) per share	(12.87)	(20.10)
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	21,776,295	12,402,342
As the Trust is in a loss position there is no diluted earnings per share calculated.		

Part 14 – Net Tangible Assets per Security

	30 June 2017	30 June 2016
Net tangible asset backing per ordinary security (cents)	(0.02)	0.13

Part 15 – Details of Entities Over Which Control has been Gained or Lost

Name of entity	Nil
Date deregistered	Nil
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	Nil
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	Nil
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	Nil

Part 16 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	30/06/17 %	30/06/16 %	Year ended 30/06/17 \$A'000	Year ended 30/06/16 \$A'000
Name of entity	N/A	N/A	N/A	N/A
Associate	N/A	N/A	N/A	N/A
Joint Venture Entities	N/A	N/A	N/A	N/A
Aggregate Share of Losses	N/A	N/A	N/A	N/A

Part 17 – Issued Securities

	2017 No. of Shares	2016 No. of Shares	30 June 2017 \$'000	30 June 2016 \$'000
Share capital				
Ordinary shares - fully paid	<u>23,163,160</u>	<u>14,123,771</u>	<u>204,361</u>	<u>203,832</u>
Options				
No options over unissued shares or interest in the Group were granted during or since the end of the year and there were no options outstanding at the end of the year.				

Part 18 – Segment Information

Based on the internal reports that are reviewed and used by the board of directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources, the Group has determined that it operates within two segments based on geographical location of each segment being USA and Australia.

Part 19 – Subsequent Events

On 28 July 2017, the Higgins loan which matured on 1 March 2017 was further modified and the maturity date was extended to 1 March 2019.

As part of the Higgins loan modification to extend the maturity of the Higgins loan to 1 March 2019, the Trust also entered into an equity funding package as announced to the ASX on 1 August 2017.

The equity funding package will result in the issue of \$8,000,000 convertible preference units to the investor (subject to Unitholder approval) which will be detailed in the Notice of Meeting to be sent to all Unitholders on or before 30 September 2017.

As at the date of this report \$4,834,238 of the equity funding package has been drawn to fund costs and payments required to close the Higgins loan modification, repay the existing Non Bank Loan as disclosed in note 13 of the financial statements, and for working capital purposes.

Other than noted above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Responsible Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Part 20 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

<p>If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:</p> <p style="text-align: center;">Not applicable</p>
<p>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</p> <p style="text-align: center;">Not applicable</p>