

# Appendix 4E

## Preliminary Final Report to the Australian Securities Exchange

### Part 1

<b>Name of Entity</b>	Ante Real Estate Trust
<b>ARSN</b>	114 494 503
<b>Financial Year Ended</b>	30 June 2018
<b>Previous Corresponding Reporting Period</b>	12 months ended 30 June 2017

### Part 2 – Results for Announcement to the Market

	<b>2018</b>	<b>2017</b>	<b>Increase/ (Decrease)</b>	<b>Change</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>Revenue from ordinary activities</b>	4,126	2,551	1,575	61.74%
<b>Loss from ordinary activities after tax attributable to members</b>	(4,277)	(2,802)	1,475	52.64%
<b>Net loss attributable to members</b>	(4,277)	(2,802)	1,475	52.64%

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

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

Borrowing costs increased materially for the year as a result of the increase in the short term Non bank subordinated loan (Investment Facility) and a new secured bank loan used to acquire 1-3 Albert St Auckland for NZ\$45.0m as announced on 12 February 2018. The Trust expects to repay the Investment Facility through the proceeds of a fully underwritten renounceable entitlement offer to ordinary unitholders in the future.

## Part 3 – Contents of ASX Appendix 4E

SECTION	CONTENTS
Part 1	Details of entity, reporting period
Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4E
Part 4	Consolidated statement of profit or loss and other comprehensive income
Part 5	Consolidated accumulated losses
Part 6	Consolidated statement of financial position
Part 7	Consolidated statement of cash flows
Part 8	Basis of preparation
Part 9	Loss from ordinary activities
Part 10	Commentary on results
Part 11	Notes to the consolidated statement of cash flows
Part 12	Details relating to dividends
Part 13	Loss per share
Part 14	Net tangible assets per security
Part 15	Details of entities over which control has been gained or lost
Part 16	Details of associates and joint venture entities
Part 17	Issued securities
Part 18	Segment information
Part 19	Subsequent events
Part 20	Information on audit or review

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue and other income</b>		
Rental income from investment properties	<b>2,529</b>	1,364
Recoverable outgoings from investment properties	<b>1,486</b>	1,174
Management income	<b>92</b>	-
Interest income	<b>-</b>	1
Net gain/(loss) on foreign exchange	<b>17</b>	12
Other income	<b>2</b>	-
<b>Total revenue and other income</b>	<b>4,126</b>	<b>2,551</b>
<b>Expenses</b>		
Property expenses	<b>2,284</b>	1,874
Borrowing costs	<b>3,738</b>	1,504
Responsible Entity fees	<b>377</b>	78
Custodian fees	<b>15</b>	14
Other operating expenses	<b>901</b>	990
<b>Total expenses</b>	<b>7,315</b>	<b>4,460</b>
Change in fair value of investment property	<b>(1,085)</b>	(1,669)
Change in fair value of financial liability	<b>(3)</b>	776
<b>Profit/(loss) before income tax</b>	<b>(4,277)</b>	<b>(2,802)</b>
Income tax	<b>-</b>	-
<b>Profit/(loss) for the year</b>	<b>(4,277)</b>	<b>(2,802)</b>

#### Part 5 – Consolidated Accumulated losses

	<b>Year Ended 30 June 2018 \$</b>	<b>Year Ended 30 June 2017 \$</b>
Accumulated losses at the beginning of the year	<b>(208,635)</b>	(205,833)
Loss for the year	<b>(4,277)</b>	(2,802)
Accumulated losses at the end of the year	<b>(212,912)</b>	(208,635)

## Part 6 – Consolidated Statement of Financial Position

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	<b>403</b>	1
Trade and other receivables	<b>24</b>	6
Other assets	<b>152</b>	113
<b>Total current assets</b>	<b>579</b>	120
<b>Non-current assets</b>		
Investment properties	<b>64,849</b>	17,169
Other assets	<b>1,727</b>	1,595
<b>Total non-current assets</b>	<b>66,576</b>	18,764
<b>Total assets</b>	<b>67,155</b>	18,884
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	<b>2,725</b>	2,389
Non bank subordinated loan	<b>25,005</b>	1,636
Financial liabilities, at fair value	<b>16,087</b>	15,350
A Units	<b>5,817</b>	-
<b>Total current liabilities</b>	<b>49,634</b>	19,375
<b>Non-current liabilities</b>		
Financial liabilities, at fair value	<b>20,637</b>	-
<b>Total non-current liabilities</b>	<b>20,637</b>	-
<b>Total liabilities</b>	<b>70,271</b>	19,375
<b>Net assets</b>	<b>(3,116)</b>	<b>(491)</b>
<b>Equity</b>		
Issued capital	<b>206,137</b>	204,361
Reserves	<b>3,659</b>	3,783
Accumulated losses	<b>(212,912)</b>	(208,635)
<b>Total equity</b>	<b>(3,116)</b>	<b>(491)</b>

## Part 7 – Consolidated Statement of Cash Flows

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts in the course of operations	4,826	2,471
Payments in the course of operations	(5,942)	(2,502)
Payments of interest and other borrowing costs	(1,082)	(906)
<b>Net cash from/(used in) operating activities</b>	<b>(2,198)</b>	<b>(937)</b>
<b>Cash flows used in investing activities</b>		
Interest received	-	1
Payments to acquire investments	(47,536)	-
Payments for improvements to investment properties	-	(443)
Transfer funds from/(to) capital reserve	37	131
<b>Net cash from/(used in) investing activities</b>	<b>(47,499)</b>	<b>(311)</b>
<b>Cash flows from in financing activities</b>		
Proceeds from borrowings	51,576	726
Repayment of borrowings	(9,086)	-
Proceeds from issue of units	7,691	529
Transaction costs related to loans and borrowings	(77)	
<b>Net cash from/(used in) financing activities</b>	<b>50,104</b>	<b>1,255</b>
Net increase/(decrease) in cash and cash equivalents	407	7
Cash and cash equivalents at the beginning of the year	1	24
Effect of exchange rate fluctuations	(5)	(30)
<b>Cash and cash equivalents at the end of the year</b>	<b>403</b>	<b>1</b>

## 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 2018 \$'000	Year Ended 30 June 2017 \$'000
<b>REVENUES AND EXPENSES</b>		
<b>(a) Revenue from continuing operations</b>	<b>4,126</b>	<b>2,551</b>
<b>(b) General and Administration expense</b>		
Audit and accounting at the Head Trust	85	69
Expense recovery	287	526
Legal	(22)	161
Other trust level expenses	200	81
Property general and administrative expenses	305	88
Registry services	33	24
Taxation	13	41
	<b>901</b>	<b>990</b>

## Part 10 – Commentary on Results

The Consolidated Entity's loss for the year ended 30 June 2018 was \$4,277,000 (2017: \$2,802,000 loss). The 2018 loss was largely attributable to an increase in borrowing costs to \$3,738,000 (2017: \$1,504,000) and responsible entity fees to \$377,000 (2017: \$78,000). In addition there was a negative fair value movement on the investment property of \$1,085,000 (2017: negative \$1,669,000).

In accordance with the strategy of minimizing the Trust's operating costs, other operating expenses for the year were reduced to \$901,000 compared with \$990,000 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

#### *1700 W Higgins, Chicago (Higgins) and Investment Facility*

The Higgins property has been refurbished and repositioned to a class A/B+ property. The Trust considers that the continued leasing of the property and attaining a stabilised occupancy rate in the target range of 80% to 90%, will position the Trust to realise the embedded added value in Higgins, which forms a key focus of the Trust's strategy.

Higgins was subject to a loan of US\$17,000,000, which is a modified loan as noted in the financial statements. The Higgins loan matured 1 March 2017 and on 28 July 2017 the Higgins loan was further modified and the maturity date was extended to 1 March 2019.

The Higgins loan modification provides the Trust with the opportunity to add value to the Higgins asset. Under the terms of the loan modification, the Trust is only permitted to sell or refinance Higgins in the period between 15 December 2018 and 1 March 2019. The Trusts strategy is to refinance the asset before 1 March 2019.

As part of the Higgins loan modification to extend the maturity to 1 March 2019, the Trust also entered into an Investment Facility as announced on 1 August 2017 with Alceon Group Pty Ltd (Alceon).

The Investment Facility resulted in the issue of 7,691,521 A Units on 9 January 2018 as detailed in the Notice of Meeting dated 5 December 2017.

On 15 June 2018, Alceon elected to convert 1,874,110 A Units into 187,411,000 Ordinary Units. The issue of the A Units and conversion ability was approved at the meeting of Unitholders held on 8 January 2018. Alceon currently holds an 89% interest in the Ordinary Units of the Trust

***Acquisition 1-3 Albert Street, Auckland, NZ***

In accordance with the investment strategy set out in the Notice of Meeting for the meeting of Unitholders held on 8 January 2018, the Trust announced the acquisition of 1-3 Albert Street, Auckland for NZ\$45.0m on 12 February 2018.

The acquisition was funded by a debt facility from a local bank and the balance was funded from the Investment Facility with Alceon.

As at the date of this report the Investment Facility (Non bank subordinated loan) had an outstanding balance (including accrued interest) of \$25,005,000. The Trust intends to repay the Investment Facility from a fully underwritten renounceable entitlement offer in-due course.

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

Following the acquisition of 1-3 Albert Street, Auckland, the Trust announced on 8 June 2018 that it was conducting a fully underwritten renounceable entitlement offer to raise approximately \$27.5 million.

Proceeds of the entitlement offer were to be used to:

- Repay the Investment Facility used to fund the acquisition of 1-3 Albert St, and
- Provide for costs and working capital for the Trust and for the refurbishment of Albert Street, Auckland.

The offer was subsequently withdrawn at the request of the ASX due to a minor technicality they had identified - the issue price pursuant to the proposed renounceable entitlement offer being made available to all unitholders was above the 5 day VWAP and the theoretical ex rights price and accordingly despite their being very little historical volume would not be sufficient to create value in the rights.

ATT is working to progress the larger capital raising in a manner acceptable to the ASX. In the interim and subject to no further changes in circumstances ATT intends shortly to launch a smaller 1:1 non-renounceable rights issue at 1c, the same price as previously proposed, 1c (as this does meet ASX technical requirements) to partially repay (circa \$2m) of the investment facility while it continues to work with the full support of Alceon to progress the full rights issue.

In the meantime the Trust has the required funding to execute the investment strategy as outlined above via the existing investment facility.

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

On 27 August 2018 the Trust announced the acquisition of 10 Viaduct Harbour Ave, 12 Viaduct Harbour Ave and 110 Customs St, Auckland (Viaduct assets) for NZ\$28.0m on an initial yield of 10.2% yield. The acquisitions will be funded by a local bank and the balance will be funded from the Investment Facility.

The Trust will continue to explore alternative ways to implement the larger capital raising announced on the 8 June 2018 and it is envisaged that in time once an acceptable solution has been agreed with the ASX, a larger rights issue will be announced to fund the real estate portfolio (inclusive of the Viaduct assets) and refinance the Investment Facility into ordinary equity to simplify the Trust's capital structure.

Mr. Nick Hargreaves, who most recently held the position of CEO Jones Lang LaSalle, New Zealand, has agreed to join the board of the responsible entity of the Trust, Quattro RE Limited, as a non-executive director effective 1 September 2018.

Mr Hargreaves is a highly regarded real estate leader and adviser having served as CEO of JLL New Zealand for over 10 years. His extensive knowledge of the New Zealand market, experience as an adviser to global and domestic PERE, institutions and HNW investors, combined with the management experience gained in building a successful real estate business in New Zealand, enhances the Trusts capability to execute on its value add investment strategy.



## Part 11 – Notes to the Consolidated Statement of Cash Flows

	Consolidated	
	2018	2017
	\$'000	\$'000
Profit/(loss) before tax	(4,277)	(2,802)
<b>Adjustments for:</b>		
Foreign exchange gain	(17)	(12)
Lease straight-lining	(111)	(40)
Changes in fair value of investment properties	1,085	1,669
Change in fair value of financial liability	3	776
Interest received classified as investing activity	-	(1)
Borrowing costs	3,737	1,504
	420	1,094
<b>Change in assets and liabilities during the financial year:</b>		
Change in trade and other receivables and other assets	(189)	44
Change in trade and other payables	(336)	(571)
Borrowing costs paid	(2,093)	(1,504)
	(2,618)	(2,031)
<b>Net cash from/(used in) operating activities</b>	<b>(2,198)</b>	<b>(937)</b>

## 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 2018	Year Ended 30 June 2017
Basic (loss) per share(cents)	(13.63)	(12.87)
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	<b>31,378,437</b>	21,776,295
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 2018	30 June 2017
Net tangible asset backing per ordinary security (cents)	(1.5)	(2.1)

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

Name of entity	Nil
Date registered	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)	
	30/06/18 %	30/06/17 %	Year ended 30/06/18 \$A'000	Year ended 30/06/17 \$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

	2018 No. of Shares	2017 No. of Shares	30 June 2018 \$'000	30 June 2017 \$'000
<b>Share capital</b>				
Ordinary shares - fully paid	<u>210,574,160</u>	<u>23,163,160</u>	<u>206,137</u>	<u>204,361</u>
<b>Options</b>				
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 three segments based on geographical location of each segment being USA, New Zealand and Australia.

## Part 19 – Subsequent Events

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## 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><b>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:</b></p> <p>Not application</p>
<p><b>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</b></p> <p>Not applicable</p>