

Quattro Plus Real Estate

ARSN 114 494 503

**Interim Financial Report
for the six months ended 31 December 2018**

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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 2018 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 Quattro Plus Real Estate ("**QPR**" or "**the Trust**" - ASX: QPR) (formally Ante Real Estate 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 2018 and the independent auditor's review thereon.

The Consolidated Entity comprises of 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 and Investment Management

The Responsible Entity has carried out the investment management function relevant to the remaining United States of America ("USA") property asset and New Zealand ("NZ") property assets of the Trust and engaged consultants, where appropriate, to assist in the review of strategy, its implementation, and the day to day management of the Trust.

Directors

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

Antony Wood	(Appointed 28 November 2014)
Andrew Saunders	(Appointed 7 October 2014)
Peter Chai	(Appointed 19 April 2017)
Nicholas Hargreaves	(Appointed 1 September 2018)

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 activities

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 USA and NZ. The Trust currently owns five assets – one in Chicago, USA and four in Auckland, NZ. The Trust purchased three of the assets in Auckland 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 half year ended 31 December 2018 was \$2,786,000 (2017: \$2,382,000 loss). The loss was largely attributable to a negative fair value movement of \$1,097,000 (2017: \$1,210,000) recognised in the current period on the USA investment property and increased borrowing costs totalling \$3,268,000 (2017: \$1,577,000). The borrowing costs for the half year included \$1,991,000 of non-recurring interest costs (2017: \$766,000) due to the repayment of the investment facility and A unit borrowings on 21 December 2018 from the capital raising.

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)

Foreign exchange movements

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

During the year the A\$ was weaker against the US\$ from a spot rate of \$0.7391 at 30 June 2018 to a spot rate of \$0.7058 at 31 December 2018. The A\$ was weaker against the NZ\$ from a spot rate of \$1.0903 at 30 June 2018 to a spot rate of \$1.0519 at 31 December 2018. The Trust's Statement of Financial Position is prepared using predominately the spot rate at 31 December 2018.

From an earnings perspective the average A\$/US\$ exchange rate for the 6-month period was \$0.7247 compared with the average exchange rate for the prior corresponding 6-month period of \$0.7791. The average A\$/NZ\$ exchange rate for the 6-month period was \$1.0826. The Trust's Statement of Profit or loss and Other Comprehensive Income is prepared using predominately the average exchange rate over the period.

Review of operations

1700 W Higgins, Chicago (Higgins)

The Higgins property occupancy was 43% at the commencement of the period. The vacant office areas are being refurbished and upgrading of common areas, including the café, lobby and car park are in progress. Work commenced on the replacement of the lifts in the building and these will complete in mid-2019. Adjacent land was secured under an option agreement to provide additional parking and a standalone restaurant lot, with consultants appointed to design and plan the parking and restaurant. Initial discussions have been held with the local authority in respect of the developments and the granting of real tax relief for the property. Additional value creation strategies are being investigated, including the acquisition of the static billboards from the current tenant and the digitisation of the billboards.

Overall, the O'Hare office market, which is the second largest office market to the Chicago CBD, is positive. As works are completed, leasing momentum is expected to increase and a leasing strategy is in place to target 80-90% occupancy or executed leases by the end of the year.

1 Albert Street, Auckland

The property re-positioning is progressing, with development approval secured during the period for the major works. These works include the renovation of the first 4 office level's and major works to the lower levels, with a new entrance lobby, retail outlets and hospitality venues. These works will commence in March 2019 and complete in phases during 2019. Agreements to lease have been either agreed or executed with four tenants at rents which reflect significant improvement over the passing rents when the property was acquired.

The Auckland office market vacancy rate for A grade is at 3%. With 1 Albert Street located in the core of the CBD between two new major office towers and providing premium grade workspaces for small to medium size tenants, the property is positioned to benefit from strong market conditions.

Directors' report (continued)

The Viaduct Harbour properties

On 27 August 2018 the Trust announced that it had entered into unconditional contracts to acquire 3 Auckland waterfront office properties for NZ\$28m at an initial yield of 10.2%:

1. 10 Viaduct Harbour, Auckland
2. 12 Viaduct Harbour, Auckland
3. 110 Custom Street West, Auckland

The 3 properties are located on Viaduct Harbour, which is an established office precinct that fronts onto the main marina for the 2021 America's Cup. All 3 properties are leasehold title on long term ground leases. Ground rent reviews commenced during the period for 12 Viaduct Harbour and 110 Custom Street West. Both ground rent reviews are likely to progress to a formal arbitration process, which was anticipated at the time of acquisition.

Progress has been made in executing a strategy to create value through activating the ground floors of the properties with retail uses and improving office rents to bring the properties average rental in line with market conditions.

The acquisition of the 3 properties is a further positive development for the repositioning of the Trust and both enhances and diversifies QPR's real estate portfolio, which now comprises 5 office properties all with meaningful value add opportunities.

Appointment of New Zealand based Director

On 1 September 2018 Mr. Nick Hargreaves, who most recently held the position of CEO Jones Lang LaSalle, New Zealand, joined the board of the Responsible Entity as a non-executive director.

Property Management

On 11 November 2018 the Board approved a change of property management to Quattro Management NZ Pty Ltd. The change provides QPR with improved capabilities to manage the NZ portfolio and execute the value add strategies for each of the properties. The fees paid for the services provided are in accordance with the Trusts related parties policy and are benchmarked against market based fees.

Appointment of investment Manager

Quattro Management No. 2 Pty Limited was appointed to act as the Trust's investment manager under a delegated authority by the Responsible Entity. The Responsible Entity is responsible for performing the functions set out in the Constitution. It has delegated a number of these functions to Quattro Management No. 2 Pty Limited, such as accounting, compliance, capital raising and the day to day management because it does not employ the resources to complete these functions. Quattro Management No. 2 Pty Limited is paid by the Responsible Entity from the fees it receives under the Constitution.

Quattro Management No. 2 Pty Limited is owned equally by Quattro Asset Management No. 2 Pty Limited and a related entity of Alceon Group Pty Limited.

Directors' report (continued)

Capital management

On 24 October 2018 the Trust announced that it would be conducting a fully underwritten capital raising of \$56m comprising a placement of units to Alceon, a fully underwritten unit purchase plan, and a Unitholder meeting in order to obtain certain approvals required in connection with the capital raising.

The Unitholder Meeting was held on 30 November 2018 and all resolutions relating to capital raising were passed by a significant majority.

The capital raising was successfully completed on 21 December 2018.

The proceeds of the capital raising, net of costs, were used to:

- fully repay the investment facility provided by Alceon;
- redeem the outstanding A units on issue; and
- provide working capital for QPR and for the initial refurbishment costs of 1 Albert Street and the Viaduct Harbour properties.

Name Change

On 19 December 2018 the Trust changed its name to Quattro Plus Real Estate (ASX: QPR) to better reflect the management and strategy of the Trust.

Events subsequent to the end of the reporting period

On 25 January 2019 the Trust refinanced the Higgins loan with a new secured loan of US\$9.7m and \$US2.0m of equity which was funded from the proceeds of the capital raising which closed on 21 December 2018.

Key details of the new secured loan with the new lender are as follows:

	US\$
Loan limit:	\$14.0m
Initial funding:	\$9.7m
Undrawn future funding for TI/LC/Capex:	\$4.3m
Maturity date:	1 February 2022 + extension options

On 18 February 2019 the Trust announced that effective from 25 February 2019 it will conduct a unit consolidation on a 100:1 basis. This will mean that each unitholder will still hold the same proportion of units as before the unit consolidation. The current rights attaching to the units set in the Constitution of the Trust also will not be affected by the consolidation. Unitholder approval is not required to conduct the unit consolidation.

Directors' report (continued)

Interest of the Responsible Entity

As at 31 December 2018, there were nil units held by the Responsible Entity (31 December 2017 - nil units) in the Trust.

Mr Andrew Saunders and his associates hold 3,172,964 units in the Trust.

Responsible Entity fees, related party fees, other Directors 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.

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 advisors to provide the fund management, assets management, legal, accounting, compliance and other services. These costs are included in expense recoveries.

Transactions with related parties – Consolidated:

Charged by the Responsible Entity and Related Parties

	6 mth ended 31 Dec 2018 \$'000	6 mth ended 31 Dec 2017 \$'000
• Management fees (see i below)	208	39
• Acquisition fees	392	-
• Capital Arrangement fees	131	-
• Expense recoveries (see ii below)	84	99
• Loan interest	1,991	766
	2,806	904

- i Management fees are calculated on the following basis:
 - 3% of the gross income of the Trust in accordance with the Trust's Constitution to 24 January 2018
 - 0.75% asset value from 24 January 2018
- ii Expense Recoveries have been adjusted to reflect trust expenses previously paid direct by QPR which are now being paid as expense recoveries.

Directors' report (continued)

Business strategies and prospects

The continuing business strategies of the Trust are to actively manage the cash flow and capital of the Trust to enable the successful lease up and stabilization of the Higgins asset, the refurbishment of 1 Albert Street and the activation of the Viaduct assets in Auckland to significantly improve the office rents in order to deliver an attractive total return and create value for unitholders

The risks to the business strategies and prospects include commercial risks such as the office market dynamics, identification of suitable assets, the sourcing of appropriate equity and debt finance, foreign exchange risk and taxation risk.

The operational risks include construction costs, development approvals, rentals and incentives and tenant demand.

Going concern

The consolidated annual 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 ordinary course of business.

Working capital

The available cash and cash equivalent balances as at 31 December 2018 were \$7,066,000 (30 June 2018: \$403,000).

Cashflow budgets

The Responsible Entity has prepared cash flow budgets through to 28 February 2020 which indicates that the Consolidated Entity will have sufficient funds to meet its short term working capital and financing requirements.

Significant changes in state of affairs

In the opinion of the Directors of the Responsible Entity there have been no other significant changes in the state of affairs of the Trust which occurred during the financial year not otherwise disclosed in this Directors' report or the attached financial report.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the period ended 31 December 2018.

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 instrument, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars unless otherwise stated.

QUATTRO PLUS REAL ESTATE
ARSN 114 494 503

Signed in accordance with a resolution of the Responsible Entity:

A handwritten signature in dark ink, appearing to read 'A. Saunders', is written over a horizontal line.

Andrew Saunders
Director,
Sydney, 28 February 2019

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF QUATTRO RE LIMITED, AS RESPONSIBLE ENTITY OF QUATTRO PLUS
REAL ESTATE**

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 2019

Condensed consolidated interim statement of profit or loss and other comprehensive income for the six months ended 31 December 2018	Note	Consolidated	
		31 December 2018	31 December 2017
		\$'000	\$'000
Revenue and other income			
Rental income from investment properties		2,428	834
Recoverable outgoings from investment properties		1,069	626
Other income		1	(1)
Net gain/(loss) on foreign exchange		(14)	32
Total revenue and other income		3,484	1,491
Expenses			
Property expenses		2,055	762
Responsible Entity management fees		208	39
Custodian fees		8	8
Borrowing costs		3,268	1,577
Other operating expenses		862	380
Total expenses		6,401	2,766
Change in fair value of investment property		(1,097)	(1,210)
Change in fair value of financial liability		1,228	103
Profit/(loss) for the period before income tax		(2,786)	(2,382)
Income tax		-	-
Profit/(loss) for the period		(2,786)	(2,382)

Continued on page 10

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 2018	Note	31 December 2018 \$'000	31 December 2017 \$'000
Profit/(loss) for the period		(2,786)	(2,382)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		1,339	(23)
Total other comprehensive income/(loss)		1,339	(23)
Total comprehensive profit/(loss) for the period		(1,447)	(2,405)
Total comprehensive profit/(loss) for the period attributable to unitholders		(1,447)	(2,405)
Earnings per unit for profit attributable to the ordinary equity holders of the trust		Cents	Cents
Basic and diluted earnings/(loss) per unit	10	(0.54)	(10.28)

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 2018**

Consolidated Entity	Issued capital \$'000	Translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
2017				
Balance at 30 June 2017	204,361	3,783	(208,635)	(491)
Total comprehensive income for the period				
Profit for the period	-	-	(2,382)	(2,382)
Translation of foreign operations	-	(23)	-	(23)
Total comprehensive income for the period	-	(23)	(2,382)	(2,405)
Transactions with owners, recorded directly in equity				
Units issued	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 31 December 2017	204,361	3,760	(211,017)	(2,896)
2018				
Balance at 30 June 2018	206,137	3,659	(212,912)	(3,116)
Total comprehensive income for the period				
Loss for the period	-	-	(2,786)	(2,786)
Translation of foreign operations	-	1,339	-	1,339
Total comprehensive income for the period	-	1,339	(2,786)	(1,447)
Transactions with owners, recorded directly in equity				
Units issued	55,780	-	-	55,780
Total transactions with owners	55,780	-	-	55,780
Balance at 31 December 2018	261,917	4,998	(215,698)	51,217

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 2018	Note	Consolidated	
		31 December 2018 \$'000	30 June 2018 \$'000
Assets			
Current assets			
Cash and cash equivalents		7,066	403
Trade and other receivables	4	338	24
Other assets	5	310	152
Total current assets		7,714	579
Non-current assets			
Investment properties	7	95,533	64,849
Other assets	5	1,704	1,727
Total non-current assets		97,237	66,576
Total assets		104,951	67,155
Liabilities			
Current liabilities			
Trade and other payables	6	2,834	2,596
Non-bank subordinated loan	8	-	25,005
Financial liabilities, at fair value	8	15,585	16,087
A Units	8	-	5,817
Total current liabilities		18,419	49,505
Non-current liabilities			
Trade and other payables	6	616	129
Financial liabilities, at fair value + cost	8	34,699	20,637
Total non-current liabilities		35,315	20,766
Total liabilities		53,734	70,271
Net assets		51,217	(3,116)
Equity			
Issued capital	9	261,917	206,137
Reserves		4,998	3,659
Accumulated losses		(215,698)	(212,912)
Total equity		51,217	(3,116)

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 2018	Consolidated	
	31 December 2018	31 December 2017
	\$'000	\$'000
Cash flows from operating activities		
Receipts in the course of operations	3,587	1,378
Payments in the course of operations	(3,790)	(2,750)
Payments of interest and other borrowing costs	(1,000)	(431)
Net cash used in operating activities	(1,203)	(1,803)
Cash flows from investing activities		
Payment to acquire investment property	(25,664)	(4,199)
Payments for improvements to investment properties and reserves	(2,021)	(4,428)
Transfer funds to capital reserve	-	37
Loans to other entities	(471)	-
Net cash from/ (used in) investing activities	(28,156)	(8,590)
Cash flows from financing activities		
Proceeds from borrowings	28,702	11,920
Repayment of borrowings	(48,477)	(1,395)
Proceeds from issue of units	56,000	-
Transaction costs relating to borrowings	(216)	-
Net cash from financing activities	36,009	10,525
Net increase/(decrease) in cash and cash equivalents	6,650	132
Cash and cash equivalents at 1 July 2018	403	1
Effect of exchange rate fluctuations on cash held	13	(5)
Cash and cash equivalents at 31 December 2018	7,066	128

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 2018**

1. Reporting entity

Quattro Plus Real Estate ("QPR" or "the Trust" - ASX: QPR) (formally Ante Real Estate Trust - ASX: ATT), 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 2018 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 reporting period was the derivation of rental income from investment properties located in the United States of America ("**USA**") and New Zealand ("**NZ**").

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 2018 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 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 2018 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, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. 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 2019.

(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 2018.

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 available cash and cash equivalent balances as at 31 December 2018 were \$7,066,000 (30 June 2018: \$403,000).

Cashflow budgets

The Responsible Entity has prepared cash flow budgets through to 28 February 2020 which indicates that the Consolidated Entity will have sufficient funds to meet its short term working capital and financing requirements.

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 2018.

4. Trade and other receivables

	Consolidated	
	31 December	30 June
	2018	2018
	\$'000	\$'000
Rental income receivables	77	-
Trade receivables	94	-
Other receivables	167	24
	338	24

5. Other assets

	Consolidated	
	31 December	30 June
	2018	2018
	\$'000	\$'000
Current		
Prepaid expenses	310	152
	310	152
Non-current		
Property related deposits*	1,554	1,727
Loan to Responsible Entity	150	-
	1,704	1,727

* 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
	2018	2018
	\$'000	\$'000
Current		
Payable to the Responsible Entity/Zerve Pty Ltd	213	253
Trade payables	1,143	956
Tenants' security deposits	6	60
Rent received in advance	88	78
CAM charges payable to tenants	273	261
Accrued real estate taxes	750	773
Accrued interest payable	361	215
	2,834	2,596
Non-current		
Tenants security deposits	616	129
	616	129

7. Investment properties

	Consolidated	
	31 December	30 June
	2018	2018
	\$'000	\$'000
Non- current		
Investment properties – at fair value	95,533	64,849
	95,533	64,849
<i>The movement in the carrying amount is reconciled as follows:</i>		
Carrying amount at the beginning of the year	64,849	17,169
Purchase of 1 Albert St, Auckland	-	42,898
Purchase of 10 & 12 Viaduct Hbr, 110 Customs St West, Auckland	27,474	
Lease straight-lining	142	110
Improvements to investment properties (including tenant incentives)	1,474	3,975
Deferred leasing costs	933	845
Gain due to foreign currency translation	1,758	885
Fair value decrement of investment properties	(1,097)	(1,033)
Carrying amount at the end of the period	95,533	64,849
Comprising of:		
Deferred rental income	1,576	1,366
Deferred leasing costs	933	891
Fair value of properties (excluding straight-lining)	93,024	62,592
	95,533	64,849

The fair value of investment property (including straight-lining) at 31 December 2018 is as set out in the following table.

	31 December	30 June
	2018	2018
	A\$'000	A\$'000
Property		
Higgins, Illinois	22,641	21,951
1 Albert Street, Auckland	45,418	42,898
10 Viaduct Harbour, Auckland	8,437	-
12 Viaduct Harbour, Auckland	9,534	-
110 Customs St West, Auckland	9,503	-
	95,533	64,849

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.

7. Investment properties (continued)

An independent valuation of the Higgins property was conducted as at 9 November 2018 by Colliers International.

The fair value measurement for all five (5) investment properties, has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 7(ii) below).

(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	64,849
Purchase of 10 & 12 Viaduct Hbr and 110 Customs St West, Auckland	27,474
Improvements to investment properties	1,474
Deferred leasing costs	933
Items included in profit and loss	
• Change in fair value of investment property	(1,097)
• Rental income (Lease straight lining)	142
Item included in other comprehensive income	
• Gain (loss) due to foreign currency translation	1,758
Balance at the end of the year	95,533

7. Investment properties (continued)

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
USA Property 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"> • Expected market rental growth: 3.0% p/a • Current occupancy of 45%, and assumed stabilized occupancy of 90% in year 4 • Total lease up period of 36 months. Average absorption per month of 2,114sft • Vacancy period between leases: 6-9 months • Vacancy factor and credit loss: 7.5% commencing in year 4 once property has reached stabilised occupancy • Risk adjusted discount rate: 9.0%. 	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> • Expected market rental growth was higher/(lower) • The current occupancy rate was higher/(lower) • The lease up or absorption period of the vacant space was shorter/(longer) • The vacancy periods between leases was shorter/(longer) • The vacancy factor is lower/(higher) • The stabilized occupancy is higher/(lower) • The risk adjusted discount rate was lower/(higher)
NZ Properties Property values recognised at cost plus additions.	Not applicable	Not applicable

8. Financial liabilities

	Consolidated	
	31 December 2018 \$'000	30 June 2018 \$'000
Current		
Other borrowings – non-bank subordinated loan	-	25,005
Bank loans – secured at fair value (Higgins)	15,585	16,087
A units	-	5,817
Total loans and borrowings	15,585	46,909
	\$'000	\$'000
Non-current		
Bank loans – secured at fair value	34,699	20,637
Total loans and borrowings	34,699	20,637

Material terms and conditions

Bank Loans

Higgins Loan Modification 28 July 2017

On 28 July 2017 the Higgins loan was further modified with the maturity date extended to 1 March 2019. Key terms of the new modified loan are:

- Borrower to pay a US\$110,000 Modification Fee which was paid on 28 July 2017.
- Borrower to make additional new equity contributions of US\$3,450,000 of which US\$2,050,000 was made on 28 July 2017 and US\$1,400,000 was made on 30 September 2017.
- All existing equity contributions and additional new equity contributions accrue a 10% p.a. cumulative coupon. The coupon is payable on a sale or refinance of the property.
- The additional new equity contributions are added to the existing capital reserve account 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 additional new equity contributions to the capital reserve account other than the US\$3,450,000 noted above, but is entitled to make further additional new equity contributions of up to US\$2.0 million.
- The existing capital reserve account balance of US\$2,855,000 can be drawn for the purpose of paying for leasing, tenant incentives, capital works and building improvements.
- The property cannot be sold or refinanced prior to 15 December 2018. If the property is sold or refinanced between 15 December 2018 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 all the Borrower's equity contributions to the capital reserve plus accrued coupon; thirdly to lender for A note accrued default rate interest, late fees and deferred amounts; fourthly 50:50 between the B Note holder up to an amount equal to the B note and interest accrued (including default rate interest) on the B note and the Borrower, and hereafter to the Borrower ("capital event waterfall").
- The modification is personal to the Borrower and cannot be passed on to third parties.
- There are no financial covenants in respect of the modified loan.
- On 25 January 2019 the Trust refinanced the Higgins loan with a new secured loan of US\$9.7m and \$US2.0m of equity which was funded from the proceeds of the capital raising which closed on 21 December 2018.

Key details of the secured loan with the new lender are as follows:

	US\$
Loan limit:	\$14.0m
Initial funding:	\$9.7m
Undrawn future funding for TI/LC/Capex:	\$4.3m
Maturity date:	1 February 2022 + extension options

8. Financial liabilities (continued)

Material terms and conditions (continued)

Bank Loans

New Zealand Facility

- The facility is with Bank of New Zealand in NZ and the terms are typical for a secured property loan of this nature with a maturity date of 22 October 2021. The interest rate is a 2.4% p.a. margin on BKBM rate. The loan is secured by charges over the NZ properties.

Financial liability fair values

Determination of fair value

The fair value of the Higgins loan has been calculated as the amount which was payable under the capital event waterfall as a result of the refinance which occurred on 25 January 2019.

Given the refinance of the Higgins loan closed on 25 January 2019 no fair value hierarchy or analysis as shown in previous reporting periods is required.

9. Capital and reserves

Capital management

Given the nature of that loan, the level of debt or gearing ratio for the Group is not a relevant measure. Management's capital management strategy is to actively manage the cashflow of the Trust to enable the successful lease up and stabilization of the Higgins asset so that its value can be realised. This may include, but is not limited to, raising additional capital, restructuring the existing loan, entering into a new loan, or some combination of these. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Issued capital

The movement in the Trust's issued capital during the period is shown below:

	31 December 2018		30 June 2018	
	No. of units	\$'000	No. of units	\$'000
Opening balance	210,574,160	206,137	23,160,160	204,361
Units issued: Placement/UPP	5,606,222,222	55,780		
Conversion of A units	-	-	187,411,000	1,776
Closing balance	5,816,796,382	261,917	210,574,160	206,137

10. Earnings per unit

The calculation of basic earnings per unit at 31 December 2018 was based on the loss attributable to unitholders of the Trust of \$2,786,000 (31 December 2017 loss: \$2,382,000) and a weighted average number of units outstanding of 520,459,358 (31 December 2017: 23,163,160), calculated as follows:

	As at 31 December	
	2018	2017
	\$'000	\$'000
Net profit/(loss) attributable to unitholders of the Trust	(2,786)	(2,382)

	As at 31 December	
	2018	2017
Weighted average number of units (basic)		
Issued units at 1 July	210,574,160	23,163,160
Impact of units issued during the period	309,885,198	-
Weighted average number of units at 31 December	520,459,358	23,163,160

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.

11. Operating segments

The main business of the Consolidated Entity is investment in properties located in the United States of America and New Zealand which is leased to third parties.

The Consolidated Entity has three 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 NZD and converted to AUD on consolidation.

11. Operating segments (continued)
Consolidated Entity – 6 months ended 31 December 2017

	USA	Australia	New Zealand	Total
	\$'000	\$'000	\$'000	\$'000
External revenues	1,460	-	-	1,460
Interest income	-	-	-	-
Net gain on foreign exchange	-	32	-	32
Gain on debt modification	-	-	-	-
Other income	-	(1)	-	(1)
Total income	1,460	31	-	1,491
Borrowing costs	688	890	-	1,578
Other operating expenses	887	301	-	1,188
Total expenses	1,575	1,191	-	2,766
Change in fair value of financial liability	103	-	-	103
Changes in fair value of investment properties	(1,210)	-	-	(1,210)
Profit/(Loss) before income tax	(1,107)	-	-	(1,107)
Income tax	-	-	-	-
Profit/(Loss) after income tax	(1,222)	(1,160)	-	(2,382)
Segment assets	23,200	4,351	-	27,551
Segment liabilities	26,221	4,226	-	30,447

	USA	Australia	New Zealand	Total
	\$'000	\$'000	\$'000	\$'000
External revenues	1,396	-	2,102	3,498
Interest income	-	-	-	-
Net gain on foreign exchange	-	-	(14)	(14)
Gain on debt modification	-	-	-	-
Other income	-	-	-	-
Total income	1,396	-	2,088	3,484
Borrowing costs	482	2,169	617	3,268
Other operating expenses	1,329	751	1,053	3,133
Total expenses	1,811	2,920	1,670	6,401
Change in fair value of financial liability	(1,097)	-	-	(1,097)
Changes in fair value of investment properties	1,228	-	-	1,228
Profit/(Loss) before income tax	131	-	-	131
Income tax	-	-	-	-
Profit/(Loss) after income tax	(284)	(2,920)	418	(2,786)
Segment assets	24,057	6,968	73,926	104,951
Segment liabilities	17,427	145	36,162	53,734

12. 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) and Alceon Group Pty Limited 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:

Antony Wood	(Appointed Director 28 November 2014)
Andrew Saunders	(Appointed 7 October 2014)
Peter Chai	(Appointed 17 April 2017)
Nicholas Hargreaves	(Appointed 1 September 2018)

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.

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

		6 mth ended 31 Dec 2018 \$'000	6 mth ended 31 Dec 2017 \$'000
Transactions with related parties – Consolidated:			
<i>Charged by the Responsible Entity and Related Parties</i>			
• Management fees	(see i below)	208	39
• Acquisition fees		392	-
• Capital Arrangement fees		131	-
• Expense recoveries	(see ii below)	84	99
• Loan interest		1,991	766
		2,806	904

- i Management fees are calculated on the following basis:
 - 3% of the gross income of the Trust in accordance with the Trust's Constitution to 24 January 2018
 - 0.75% asset value from 24 January 2018
- ii Expense Recoveries have been adjusted to reflect trust expenses previously paid direct by QPR which are now being paid as expense recoveries.

12. Related parties (continued)

Unit holdings of the Responsible Entity and its key management personnel

As at 31 December 2018 there were nil units held by the Responsible Entity (31 December 2017: nil units) in trust.

Mr Andrew Saunders and his associates hold 3,412,964 units in the Trust and Alceon Group Pty Limited hold 5,351,301,653 units (92%) in the Trust.

Related party investments held by the Trust

As at 31 December 2018 the Trust held no investments in the Responsible Entity or their associates (31 December 2017: Nil).

13. 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 2018.

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 2018		Carrying amount				Fair value			
	Note	Designated at fair value \$'000	Cash, Loans and receivables \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets not measured at fair value									
Trade and other receivables	4	-	338	-	338	-	-	-	-
Cash and cash equivalents		-	7,066	-	7,066	-	-	-	-
Financial liabilities measured at fair value									
Bank Loans – secured	8	15,585	-	-	15,585	-	-	15,585	15,585
Financial liabilities not measured at fair value									
Trade payables	6	-	-	2,834	2,834	-	-	-	-
Borrowings	8	7-	-	-	-	-	-	-	-
A Units		-	-	-	-	-	-	-	-
Bank Loan	8	-	-	34,699	34,699	-	-	-	-
30 June 2018									
Financial assets not measured at fair value									
Trade and other receivables	4	-	24	-	24	-	-	-	-
Cash and cash equivalents		-	403	-	403	-	-	-	-
Financial liabilities measured at fair value									
Bank Loans – secured	8	16,087	-	-	16,087	-	-	16,087	16,087
Financial liabilities not measured at fair value									
Trade payables	6	-	-	2,725	2,725	-	-	-	-
Borrowings	8	-	-	25,005	25,005	-	-	-	-
A Units		-	-	5,817	5,817	-	-	-	-
Bank Loan	8	-	-	20,637	20,637	-	-	-	-

13. Financial instruments (continued)

Capital management

Other than disclosed in this report and the 30 June 2018 Annual Report, there were no capital management initiatives for the six months ended 31 December 2018.

14. 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.

15. Events subsequent to reporting date

On 25 January 2019 the Trust refinanced the Higgins loan with a new secured loan of US\$9.7m and \$US2.0m of equity which was funded from the proceeds of the capital raising which closed on 21 December 2018.

Key details of the new secured loan with the new lender are as follows:

	US\$
Loan limit:	\$14.0m
Initial funding:	\$9.7m
Undrawn future funding for TI/LC/Capex:	\$4.3m
Maturity date:	1 February 2022 + extension options

On 18 February 2019 the Trust announced that effective from 25 February 2019 it will conduct a unit consolidation on a 100:1 basis. This will mean that each unitholder will still hold the same proportion of units as before the unit consolidation. The current rights attaching to the units set in the Constitution of the Trust also will not be affected by the consolidation. Unitholder approval is not required to conduct the unit consolidation.

Directors' declaration

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

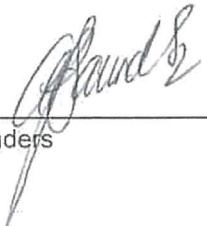
(a) the consolidated financial statements and notes, set out on pages 9 to 26, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 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:



Andrew Saunders
Director

Sydney, 28 February 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF QUATTRO PLUS REAL ESTATE

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Quattro Plus Real Estate (the "Trust"), which comprises the condensed consolidated interim statement of financial position as at 31 December 2018, 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 true and fair and 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 2018 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 QUATTRO PLUS REAL ESTATE**

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 Quattro Plus Real Estate 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 2018 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*.

M A GODLEWSKI

Partner

28 February 2019

PITCHER PARTNERS

Sydney