



Annual Report

30 June 2019

Quattro Plus Real Estate

ARSN 114 494 503



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DIRECTORS' REPORT

The Directors of Quattro RE Limited ("**Quattro**" or "**Responsible Entity**"), the Responsible Entity for the Quattro Plus Real Estate ("**QPR**" or "**the Trust**") (ASX: QPR) (formally Ante Real Estate Trust) (ASX: ATT) present their report together with the financial statements of the Consolidated Entity for the financial year ended 30 June 2019 and the independent auditor's audit report 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.

On 5 March 2019 the Trust conducted a unit consolidation on a 100:1 basis. All comparative 2018 numbers which appear in this Annual Report that are per unit based have been adjusted to reflect the unit consolidation.

Responsible entity and Investment Management

The Responsible Entity has carried out the investment management function relevant to the 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 the year and up to the date of this report, unless otherwise stated are as follows:

Antony Wood
Andrew Saunders
Peter Chai
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 Trust is investment in office property with a strategy to add value. The Trust currently owns five properties, four of which are in the Auckland CBD, New Zealand and one in Chicago, USA.

Review of operations and activities

Results for the year ended 30 June 2019

The results of the operations of the Trust are disclosed in the consolidated statement of profit or loss and other comprehensive income of the financial statements. The Trust's profit from continuing operations for the year ended 30 June 2019 was \$2,560,000 (2018: \$4,277,000 loss). The increase in the Trust's profit is predominately due to an increase in the fair value of the Trust's investment property, at 30 June 2019 of approximately \$5.1m.

As at 30 June 2019, the Trusts net tangible assets ("**NTA**") was \$0.97 per unit (30 June 2018: deficiency of \$1.48). The increase in NTA is attributable to a capital raise of \$56m in December 2019, with proceeds applied to repay debt and acquire properties, and the increase in the total fair value of the property portfolio at 30 June 2019.

Distributions

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.

Foreign exchange movements

The Trust's assets and liabilities are predominately in US\$ and NZ\$. 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 Net Tangible Assets ("**NTA**") and its earnings.

The Trust's statement of financial position is prepared using predominately the spot rate at 30 June 2019.

The Trust's statement of profit or loss and other comprehensive income is prepared using the average exchange rates over the period.

Change of name to Quattro Plus Real Estate

On 19 December 2018, the Trust changed its name to Quattro Plus Real Estate (ASX:QPR) from Ante Real Estate Trust (ASX:ATT). The Board of the Responsible Entity determined that the new name should reflect the forward-looking nature of the Trust and its strategy given the acquisition of the property assets in New Zealand and the refurbishment of the property asset in the USA.

Investment property

The total value of the Trust's property portfolio at 30 June 2019 was \$108.9m, an increase of 68% (30 June 2018: \$64.8m). The Trust owns four office buildings in Auckland CBD, New Zealand and one office building in Chicago, USA.

The increase in the value of the property portfolio was attributable to the acquisition of 110 Custom Street West, 10 Viaduct Harbour and 12 Viaduct Harbour for NZ\$28.0m on 28 August 2018, refurbishment works to these buildings and an increase in the independent valuation of the Trust's property portfolio of \$5.1m.

1 Albert Street, Auckland CBD

The Trust acquired the property in the first half of 2018 and gained initial development consent in late 2018 to re-position and refurbish the building. Stage 1 of the works, which comprise 4 levels of the 20-level tower, commenced in 2019 and is complete, with the first tenant having moved in mid-2019. The gross rent for the refurbished office space is significantly above the passing gross rent at the time of acquisition. The property re-positioning will continue during 2019 and 2020. The properties valuation increased to NZ\$57.5m and has an estimated valuation at completion of NZ\$94.5m. The property is currently 44% leased.

110 Custom Street West, Auckland CBD

The property was acquired by the Trust in late 2018. The property is 100% leased. The property is a leasehold interest, with a rent review every 7th year. A ground rent review occurred on 1 January 2019, with parties agreeing terms subject to documentation, in mid-2019. Two tenant market rent reviews are currently in progress.

10 Viaduct Harbour, Auckland CBD.

The property was acquired by the Trust in late 2018. The property is 100% leased and there has been no material change in relation the property. A tenant market rent review is in progress. The property is a leasehold interest, with a rent review every 5th year. The next ground rent review is due to occur on 1 December 2020, with parties agreeing terms subject to some further negotiations, in mid-2019.

12 Viaduct Harbour, Auckland CBD

The property was acquired by the Trust in late 2018 and is currently 78% leased. A tenant vacated one floor in March 2019, following refurbishment of the floor, 70% was leased at a gross rent approximately 35% above the prior tenants gross rent sqm. The ground floor of the property is vacant and currently being re-positioned to provide a café bar and a studio gym, with works expected to be completed late 2019. The property is a leasehold interest, with a rent review every 5th year. A ground rent review occurred on 17 September 2018, with parties agreeing terms subject to documentation, in mid-2019.

1700 W. Higgins Road, Chicago

The property debt was re-financed in January 2019 with a US\$14.0m facility, of which US\$4.3m was an undrawn line to fund capex and leasing. The property has been re-positioned in the first half of 2019, with major works undertaken over the past 18 months, including new lifts, refurbished office spaces and lobby. The property is 45% leased. In addition, the Trust applied for a 12-year reduction in statutory expenses and entered into an agreement to acquire the leasehold interest in 2 large static billboards that are located on the property. The City provided an initial approval for the reduction in statutory expense and the digitisation of the 2 billboards, as well as the subdivision of the property to allow for a new standalone restaurant and increased parking. During the year the Trust renewed an option to acquire an adjoining parcel of land for future parking which is due to expire in March 2020.

Capital management and other funding initiatives

On 28 August 2018, the Trust increased its facility with its senior lender, BNZ, for the Auckland CBD portfolio to NZ\$36.5m to assist in the acquisition of three NZ properties late in 2018.

On 21 December 2018, the Trust completed a \$56m capital raising. The net proceeds were used to repay the non-bank bridge loan and provide working capital.

On 24 January 2019, the Trust re-financed the 1700 W. Higgins Road, Chicago property with a US lender. The debt facility has a no sale term until 26 January 2021. The facility is for US\$14.0m of which US\$10.2m was drawn at 30 June 2019, with a further US\$3.8m undrawn to fund re-positioning works.

On 5 March 2019 the Trust completed a unit consolidation on a 100:1 basis, the comparable 2018 numbers which appear in this Annual Report that are per unit based have been adjusted to reflect the unit consolidation.

In late June 2019, the Trust agreed a credit approved term sheet with BNZ for a further NZ\$19.6m to fund re-positioning and capex works associated with the Auckland CBD portfolio. The budget for these works is NZ\$22.2m, of which 75% will be funded by the BNZ facility. None of this facility was drawn at 30 June 2019.

The Trust entered into a short-term non-bank bridge loan facility late June 2019 to fund re-positioning and capex works for \$4.6m of which \$1.2m was drawn at 30 June 2019. This facility will be repaid upon drawdown of the BNZ re-positioning and capex works facility.

Drawn borrowings totalled \$50.6m at 30 June 2019 with Trust gearing at 45%. Undrawn borrowings total approximately \$24m (noting the undrawn amount includes the BNZ re-positioning and capex works facility which was executed after the year end, refer subsequent events). The undrawn borrowings are to fund re-positioning and capex works in New Zealand and USA.

Interest of the Responsible Entity

Mr Andrew Saunders and his associates hold 317,496 units in the Trust. Alceon Group Pty Limited hold 53,258,223 units in the Trust.

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

	Note	2019 \$'000	2018 \$'000
Transactions with related parties - Consolidated			
<i>Charged by the Responsible Entity and related parties:</i>			
Responsible Entity/Management fees	see i below	624	377
Acquisition fees		392	626
Capital arrangement fees		131	209
Due diligence fees		-	89
Expense recoveries		168	287
Loan interest – Alceon Group Pty Limited		1,991	1,466
		3,306	3,054
Balances outstanding with related parties - Consolidated			
<i>To the Responsible Entity (included in payables)</i>			
Responsible Entity fees		127	41
US asset management fees		-	203
	20	127	244
Unsecured loan receivable - Consolidated			
Quattro RE Limited		150	-
	20	150	-
Unsecured non-bank bridge loan payable - Consolidated			
Alceon Group Pty Limited		1,150	-
	20	1,150	-

- i. Responsible Entity fees are calculated on the following basis:
- 0.75% of the asset value
 - Quattro Management No 2 Pty Limited was appointed to act as the Trust's investment manager under a delegated authority by the Responsible Entity. Quattro Management No 2 Pty Limited is owned equally by a related entity of Andrew Saunders and a related entity of Alceon Group Pty Limited.

Business strategies and prospects

The Trust's focus remains unchanged. Management continues to focus actively on managing the Trust's portfolio with an emphasis on the re-positioning of properties, leasing and retention of tenants to ensure income is optimised whilst adding value to the Trust portfolio. Management will focus on capital management initiatives which broaden the investor base and investor appeal and enhance liquidity.

In the near term, key focus items are the continuation of re-positioning works across the Trust's portfolio and the execution of value-add strategies. Integral in the medium term are the launch of marketing programmes for 1 Albert, Auckland CBD and 1700 W. Higgins, Chicago and increasing leasing activity; the completion of the acquisitions of 87 Albert Street, Auckland CBD and the 2 billboards at 1700 W. Higgins, Chicago.

The acquisitions will be funded through equity, with the support of the Trust's major shareholder, and an increase in the Trusts debt facilities.

Looking forward, the Trust's strategy is to position 1700 W. Higgins, Chicago for sale in January 2021, which is the end of the no sale period under the loan agreement for the property. The objective in the interim is to optimise the value-add opportunity by leasing, acquiring and digitising the billboards and securing the 12-year reduction in statutory expenses prior to sale.

The risks to the business strategies and prospects include commercial risks such as the 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 and office space demand and supply.

Events subsequent to the end of the reporting period

On 16 June 2019 the Trust entered into a conditional contract to acquire 87 Albert St, Auckland CBD for NZ\$33.8m. The contract is anticipated to become unconditional on 29 August 2019, with settlement due late September 2019. The 7,250sqm grade B property is strategically located in the mid-town precinct adjacent to the new CBD rail station, which is expected to be Auckland's busiest transport hub when the CBD circle line is complete in 2024. The Trust's strategy is to re-position and refurbish the property.

On 2 June 2019 the Trust entered into a conditional contract to acquire 2 billboard structures located at 1700 W. Higgins for US\$1.8m, with a strategy to digitise the 4 faces. The billboards are 2 of 12 approved by the City and are seen by over three million people per annum due to their location on interstate i90 and O'Hare Airport. They are the only 2 billboard structures with 4 faces, approved by the City for digitisation. The contract is conditional and is due to settle in late September 2019. The Trust has received several rent and profit share proposals from national billboard companies in relation to the digitised billboards, negotiations are progressing.

Events subsequent to the end of the reporting period (continued)

The City formally approved the reduction in statutory expense and the digitisation of the 2 billboards, as well as the subdivision of the property to allow for a new standalone restaurant and increased parking on 15 August 2019. The reduction in statutory expenses requires an approval from the county, which is anticipated in December 2019.

The BNZ re-positioning and capex facility was executed on 16 August 2019, providing funds to repay the short-term non-bank bridge loan of \$1.2m and for the continued re-positioning of the Trust's NZ portfolio. The total facility limit is NZ\$19.6m.

With re-positioning works for the first 4 levels complete at 1 Albert Street and 1700 W. Higgin's, Chicago works now nearing completion, there is a positive increase in tenant enquiry. The Trust has executed 5 agreements to lease, 3 in the Auckland CBD and 2 in Chicago USA. A further 3 agreements to lease are at an advanced stage of negotiation.

The Trust has completed negotiations and agreed terms, subject to documentation, with the ground lessor at 110 Custom Street West, 12 Viaduct Harbour and 10 Viaduct Harbour, Auckland CBD.

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.

The available cash and cash equivalents at 30 June 2019 were \$1,039,000 (30 June 2018: \$403,000). Undrawn borrowings total approximately \$24m (noting the undrawn amount includes the BNZ re-positioning and capex works facility which was executed after the year end, refer subsequent events).

The Responsible Entity has prepared cashflow budgets through to 31 August 2020 which indicates that the Trust will have sufficient funds and funding in place to meet its short-term working capital, committed repositioning and capex works, 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.

Indemnification and insurance of officers and auditors

Under the Trust's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

The Trust has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been auditor of the Trust.

Non-audit services

Pitcher Partners provided non-audit services (tax services) during the financial year as well as their statutory duties as auditor.

The Board of the Responsible Entity has considered the non-audit services provided by Pitcher Partners during the year and is satisfied that the provision of those non-audit services during the year by Pitcher Partners is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Responsible Entity to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Consolidated Entity, acting as an advocate for the Consolidated Entity or jointly sharing risks and rewards.

Details of the amounts paid and due to the auditor of the Consolidated Entity, Pitcher Partners, and its related practices for audit and non-audit services provided during the year were:

Taxation compliance services	\$13,896
Audit – half year review	\$23,750
Audit – full year	\$39,600
Audit – compliance plan	\$ 4,125

Environmental regulations

To the best of Directors' knowledge, the operations of the USA REIT have been conducted in compliance with the environmental regulations existing under USA federal, state and local legislation.

The valuations in NZ has been made assuming an audit would be available which would satisfy all relevant environmental, and occupational health & safety legislation.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 10 and forms part of the Directors' Report for the year ended 30 June 2019.

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.

Signed in accordance with a resolution of the Responsible Entity:



Andrew Saunders
Director

Sydney, 30 August 2019

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AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF QUATTRO RE LIMITED, AS RESPONSIBLE ENTITY OF QUATTRO PLUS REAL ESTATE

In relation to the independent audit for the year ended 30 June 2019, to the best of my knowledge and belief there have been:

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

This declaration is in respect of Quattro Plus Real Estate and the entities it controlled during the year.



M A GODLEWSKI
Partner

PITCHER PARTNERS
Sydney

30 August 2019

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Revenue and other income			
Rental income from investment properties		5,702	2,529
Recoverable outgoings from investment properties		2,403	1,486
Management income		-	92
Interest income		2	-
Net gain/(loss) on foreign exchange		12	17
Net gain on refinance of financial liability		84	-
Other income		2	2
Total revenue and other income		8,205	4,126
Expenses			
Property expenses		5,252	2,284
Borrowing costs		4,592	3,738
Responsible Entity fees	20	624	377
Custodian fees		16	15
Other operating expenses	4	1,463	901
Total expenses		11,947	7,315
Change in fair value of investment property		5,074	(1,085)
Change in fair value of financial liability		1,228	(3)
Profit/(loss) before income tax		2,560	(4,277)
Income tax	6	-	-
Profit/(loss) for the year		2,560	(4,277)

Continued on page 12

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019 (continued)

	Note	2019 \$'000	2018 \$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Unrealised foreign currency translation gain/(loss) - foreign operations		1,642	(124)
Total other comprehensive income		1,642	(124)
Total comprehensive income/(loss) for the year		4,202	(4,401)
Total comprehensive income/(loss) for the year attributable to unitholders of the Trust		4,202	(4,401)
Earnings per unit			
Basic earnings/(loss) per unit	16	\$0.08	(\$13.63)
Diluted earnings/(loss) per unit	16	\$0.08	(\$13.63)

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

Consolidated statement of changes in equity for the year ended 30 June 2019

	Note	Issued Capital \$'000	Reserves \$'000	Accum losses \$'000	Total equity \$'000
Opening balance as at 1 July 2017	14	204,361	3,783	(208,635)	(491)
Net profit/(loss) for the year		-	-	(4,277)	(4,277)
Translation of foreign operations		-	(124)	-	(124)
Total comprehensive income for the year		-	(124)	(4,277)	(4,401)
Transactions with owners, recorded directly in equity					
Asset revaluation		-	-	-	-
Units issued	14	1,776	-	-	1,776
Total transactions with owners		1,776	-	-	1,776
Closing balance as per 30 June 2018		206,137	3,659	(212,912)	(3,116)
Opening balance as at 1 July 2018		206,137	3,659	(212,912)	(3,116)
Net profit/(loss) for the year		-	-	2,560	2,560
Translation of foreign operations		-	1,642	-	1,642
Total comprehensive income for the year		-	1,642	2,560	4,202
Transactions with owners, recorded directly in equity					
Units issued	14	55,569	-	-	55,569
Total transactions with owners		55,569	-	-	55,569
Closing balance as per 30 June 2019		261,706	5,301	(210,352)	56,655

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

Consolidated statement of financial position as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Assets			
Current Assets			
Cash and cash equivalents	7(a)	1,039	403
Trade and other receivables	8	222	24
Other assets	9	575	152
Total current assets		1,836	579
Non-current assets			
Investment properties	10	108,857	64,849
Other assets	9	1,431	1,727
Total non-current assets		110,288	66,576
Total assets		112,124	67,155
Liabilities			
Current liabilities			
Trade and other payables	11	4,885	2,725
Non- bank loans	12	1,150	25,005
Financial liabilities	12	-	16,087
A units	12	-	5,817
Total current liabilities		6,035	49,634
Non-current liabilities			
Financial liabilities	12	49,434	20,637
Total non-current liabilities		49,434	20,637
Total liabilities		55,469	70,271
Net assets		56,655	(3,116)
Equity			
Issued capital	14	261,706	206,137
Reserves	14	5,301	3,659
Accumulated losses		(210,352)	(212,912)
Total equity		56,655	(3,116)

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

Consolidated statement of cash flows for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts in the course of operations		8,746	4,826
Payments in the course of operations		(8,038)	(5,942)
Payments of interest and other borrowing costs		(2,219)	(1,082)
Net cash from/(used in) operating activities	7(b)	(1,511)	(2,198)
Cash flows used in investing activities			
Payments to acquire investments		(24,156)	(43,561)
Payments for improvements to investment properties		(6,609)	(3,975)
Transfer fund from/(to) capital reserve		(1,649)	37
Net cash from/(used in) investing activities		(32,414)	(47,499)
Cash flows used in financing activities			
Proceeds from borrowings		44,110	59,267
Repayment of borrowings		(64,498)	(9,086)
Proceeds from issue of units	14	56,000	-
Transaction costs related to loans and borrowings		(216)	(77)
Other		(842)	-
Net cash from/(used in) financing activities		34,554	50,104
Net increase/(decrease) in cash and cash equivalents		629	407
Cash and cash equivalents at the beginning of the year		403	1
Effect of exchange rate fluctuations		7	(5)
Cash and cash equivalents at the end of the year	7a	1,039	403

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Quattro Plus Real Estate (the **"Trust"**) (formally Ante Real Estate Trust), is a registered managed investment scheme under the *Corporations Act 2001*. The consolidated financial report of the Trust as at and for the year ended 30 June 2019 comprises the Trust and its subsidiaries (together referred to as the **"Consolidated Entity"** and individually as **"Group entities"**). The Trust is a for-profit entity. The principal activities of the Consolidated Entity during the financial year were the derivation of rental income from investment properties located in the United States of America (**"USA"**) and New Zealand (**"NZ"**).

2. Basis of preparation

(a) Statement of compliance

The consolidated financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial report also complies with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB"). The financial report is presented in Australian Dollars.

The financial statements were authorised for issue by the Directors of the Responsible Entity on 30 August 2019.

(b) 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.

The available cash and cash equivalents at 30 June 2019 were \$1,039,000 (30 June 2018: \$403,000). Undrawn borrowings total approximately \$24m (noting the undrawn amount includes the BNZ re-positioning and capex works facility which was executed after the year end, refer subsequent events).

The Responsible Entity has prepared cashflow budgets through to 31 August 2020 which indicates that the Trust will have sufficient funds and funding in place to meet its short-term working capital, committed repositioning and capex works, and financing requirements.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- investment properties are measured at fair value
- financial liabilities are measured at fair value

The methods used to measure fair values are discussed further in Note 3(c), 3(h) and 3(j).

(d) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars ("A\$"), which is the Trust's presentation currency. The Trust's functional currency is Australian dollars; however, the Consolidated Entity is predominantly comprised of operations located in the USA and New Zealand. The functional currency of the controlled entities that hold these operations is United States dollars ("US\$") and New Zealand dollars ("NZ\$").

The Trust and Consolidated Entity are of a kind referred to in ASIC Corporations (rounding in Financial/Directors Reports) Instrument 2016/191, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

(e) Use of estimates and judgments

The preparation of the consolidated 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.

Significant judgements, estimates and assumptions made by management in the preparation of these consolidated financial statements are outlined below:

- **Investment properties – Valuation**

Investment properties are valued each reporting date to reflect their fair value according to the Trust's policy on valuing property (Refer to Note 3(i) for further details).

- **Financial liabilities – Valuation**

The financial liability created by the loan modification agreement has been designated as a financial liability at fair value through profit and loss by Directors of the Responsible Entity (Refer to Note 15 for further details).

3. Significant accounting policies

Except as set out below and on the following page the accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the Consolidated Entity's financial statements as at 30 June 2018.

(a) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses, have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Non-controlling interests in the results of subsidiaries are shown separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income and consolidated Statement of Financial Position respectively.

(b) Foreign currency Foreign currency transactions

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign currency closing exchange rate ruling at the end of the reporting period.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in the statement of profit or loss and other comprehensive income.

(b) Foreign currency (continued)

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at the exchange rate at reporting date. The income and expenses of foreign operations are translated to Australian dollars at the average exchange rate for the year.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve ("Translation reserve") in equity. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Consolidated Entity disposes of only part of its interest in a subsidiary that includes a foreign operation whilst retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

(i) Classification

The Consolidated Entity's financial instruments comprise:

- the category of financial liabilities at fair value through profit or loss comprising loans and borrowings
- financial instruments that are classified as loans and receivables including trade and other receivables, which are at fair value through the profit and loss
- financial liabilities that are not at fair value through profit or loss including trade and other payables and loans and borrowings, which are at amortised cost
- cash and cash equivalents.

(ii) Recognition

The Consolidated Entity recognises financial assets and financial liabilities at fair value through profit or loss on the date it becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of AASB 9 *Financial Instruments*.

(iii) Measurement

Financial instruments are measured initially at fair value ("transaction price") plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

(iii) Measurement (continued)

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss and other comprehensive income.

Financial instruments classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any. Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) Derecognition

The Trust derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 9 *Financial Instruments*.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(v) Fair value measurement principles

The fair value of financial instruments is based on valuation techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Consolidated Entity would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. Specifically, the fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date.

(vi) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such indication exists, impairment testing is carried out and an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

(vii) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Derivative financial instruments

The Trust and Consolidated Entity have previously used derivative financial instruments to partially hedge their exposure to interest rate risks arising from investment activities. In accordance with its investment strategy, the Trust and Consolidated Entity do not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting would be accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred.

(d) Interest income and expense

Interest income and expense is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income and expense includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(e) Expenses

All expenses, including Responsible Entity, Asset management fees and Custodian fees, are recognised in profit or loss on an accrual's basis.

(f) Distribution and taxation

Distributions from the US REIT

Distributions of earnings and profits made by the Trust's subsidiary, Mariner American Property Income REIT, Limited (the "US REIT") for the financial year are not taxable. Distributions that are in excess of its earnings and profits are treated as non-taxable returns of capital to the Trust to the extent of the Trust's adjusted tax cost basis in the units of the US REIT.

Distributions made by the US REIT which are attributable to capital gains from disposal of the US properties are subject to US tax at a special rate of 35%. The Consolidated Entity recognises a deferred tax liability at 35% on the difference between the fair value of the properties and their tax cost base under the US tax regulation. The deferred tax liability is adjusted to reflect the movement in the fair value of the properties and their tax cost base. To the extent that the fair value of the properties is lower than the tax cost base no deferred tax asset is recognised.

Distributions from the NZ REIT

The NZ REIT is required to return rental income in New Zealand as taxable income. It is allowed to deduct expenditure against this income including depreciation on plant and equipment, fixtures, commercial fit-out and interest expenditure (subject to thin capitalisation). The net taxable income is subject to tax at the company tax rate at 28%. No income tax expense, deferred tax asset or deferred tax liability has been recognised.

Distributions by the head Trust to unitholders in Australia

Provided the Trust distributes its taxable income to unitholders the trust will not be liable to income tax.

Distributions from the Trust to unitholders are from available cash flows and not directly related to the accounting profit. Distributions can be a mixture of tax deferred distributions as well as taxable income distributions. Under current legislation the Trust is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Trust fully distributes its distributable income, calculated in accordance with the Trust Constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the Constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses the excess is distributed to the unitholders.

(g) Goods and services tax

Management fees, custody fees and other expenses are recognised net of the amount of goods and services tax ("**GST**") recoverable from the Australian Taxation Office ("**ATO**") as a reduced input tax credit ("**RITC**").

Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO or Inland Revenue New Zealand ("**IRD**") is included in receivables in the statement of financial position. Cash flows are included in the statement as cash flows on a gross basis.

(h) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income or for capital appreciation or for both. Land and buildings comprising the investment properties are considered composite assets and are disclosed as such in the accompanying notes to the consolidated financial statements.

(h) Investment properties (continued)

Investment properties acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Where the contracts of purchase include a deferred payment arrangement, amounts payable are recorded at their present value, discounted at the rate applicable to the Trust if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Investment properties are subsequently stated at fair value with any change therein recognised in profit or loss. Fair values are based on market 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 had each acted knowledgeably, prudently and without compulsion.

(i) Property valuations

Valuations are undertaken internally by knowledgeable property professionals each reporting period and external, independent valuations are obtained if Directors of the Responsible Entity are of the opinion that the market has moved materially.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Valuations are predicated on marketing programs with terms of 6-12 months (as stated in the independent valuations) appropriate for the hypothetical sale of individual assets. However, Directors consider that book values may not be realised in the event of a sale without the benefit of an appropriate marketing program.

(j) Rental income

Rental income from investment properties is recognised on a straight-line basis over the lease term. Rental income not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance within payables, as rent in advance. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease, on a straight-line basis, as a reduction of lease income.

Lease incentives provided by the Consolidated Entity to lessees, and rental guarantees which may be received from third parties (arising on the acquisition of investment property) are excluded from the measurement of fair value of investment property and are treated as separate assets as presented in Note 10 if applicable. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight-line basis, or a basis which is representative of the pattern of benefits.

Contingent rents based on the future amount of a factor that changes other than with the passage of time including turnover rents and CPI linked rental increases are only recognised when contractually due.

(k) Deferred leasing and tenancy costs

Expenditure on direct leasing and tenancy costs is capitalised and written off over the lease term in proportion to the rental revenue recognised in each financial year.

(l) Operating segments

The Consolidated Entity determines and presents operating segments based on the information provided to the Chief Executive Officer ("CEO") of the Responsible Entity, who is the Consolidated Entity's chief operating decision maker.

(m) Adoption of new and amended accounting standards that are first operative at 1 July 2018

The Group has initially applied AASB 15: Revenue from contracts with customers (AASB 15) and AASB 9: Financial instruments (AASB 9) during the current financial year. A number of other new standards are also effective from 1 July 2018, but these have been assessed not to have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, modified retrospective approach for both standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

(m) Adoption of new and amended accounting standards that are first operative at 1 July 2018 (continued)

AASB 15: Revenue from contracts with customers

AASB 15 provides (other than in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, AASB 118 Revenue, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The application of AASB 15 has not materially impacted the recognition and measurement of the Group's revenue as the revenue from property leases is covered by AASB 17 Leases.

AASB 9: Financial instruments

AASB 9 replaces AASB 139 Financial instruments: Recognition and Measurement (AASB 139). It makes major changes to the previous guidance on the classification and measurement of financial assets and financial liabilities and introduces an "expected credit loss" model for the impairment of financial assets.

Other than receivables and other assets, the Group does not have any material financial assets.

The application of AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities and its adoption has not materially impacted the classification and measurement of the group's financial assets and financial liabilities. Refer to Note 3(c) for details as to how the Group classifies and measures financial instruments.

(n) Accounting standards and Interpretations Issued but not Operative at 30 June 2019

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below;

AASB 16 Leases – (applicable to annual reporting periods commencing on or after 1 January 2019).

(n) **Accounting standards and Interpretations Issued but not Operative at 30 June 2019**
(continued)

The standard contains requirements about lease classification and recognition, measurement and presentation and disclosures of leases for lessees and lessors. The directors anticipate that the adoption of AASB 16 will not have a material impact on the Group's accounting for lease agreements.

4. Other operating expenses

	Consolidated	
	2019 \$'000	2018 \$'000
Audit and accounting at the Head Trust	108	85
Expense recovery	168	287
Legal fees	265	(22)
Property general and administrative	466	305
Registry services	44	33
Taxation fees	19	13
Bad debts written off	24	-
Other trust level expenses	369	200
Total other operating expenses	1,463	901

5. Auditor's remuneration

	Consolidated	
	2019 \$'000	2018 \$'000
Auditors of the Trust - Pitcher Partners		
Audit and review of the financial reports	63	59
Other regulatory audit services	4	17
Taxation services	14	10
Total auditors remuneration	81	86

6. Taxation

The Trust is subject to 35% capital gains tax in the U.S.A. on the future disposal of its investment property. In previous years, the Trust recognised a deferred tax liability being 35% of the difference between the fair value in US dollars compared to the tax cost base in US dollars, translated to Australian dollars. However, due to the diminution in value of the investment property, the fair value is now less than the tax cost base and as a result, it is not probable that a capital gains tax liability would arise. As at the reporting date, the fair value of the investment property remains less than the tax cost base.

The Trust has not recognised a deferred tax asset of \$3,699,394 (2018: \$3,340,965) in relation to the investment property, as it is not probable that future taxable profits will be available against which the Trust can utilise the benefit.

7(a). Cash and cash equivalents

	Consolidated	
	2019 \$'000	2018 \$'000
Cash held at banks	1,039	403
	1,039	403

7(b). Reconciliation of cash flows from operating activities

	2019 \$'000	2018 \$'000
Profit/(loss) before tax	2,560	(4,277)
Adjustments for:		
Foreign exchange gain	(12)	(17)
Amortisation of deferred loan charges and others	(64)	-
Lease straight-lining	(441)	(111)
Changes in fair value of investment properties	(5,074)	1,085
Change in fair value of financial liability	(1,228)	3
Interest received classified as in activity	-	-
Borrowing costs	4,592	3,737
Bad debts written off	(24)	
Gain on refinance	84	
	393	420
Changes in assets and liabilities during the year		
Change in trade and other receivables and other assets	(621)	(189)
Change in trade and other payables	2,160	(336)
Borrowing costs paid	(3,443)	(2,093)
	(1,904)	(2,618)
Net cash from/(used in) operating activities	(1,511)	(2,198)

8. Trade and other receivables

	Consolidated	
	2019 \$'000	2018 \$'000
Current		
Other receivables	222	24
	222	24

9. Other assets

	Consolidated	
	2019 \$'000	2018 \$'000
Current		
Prepaid expenses and acquisition costs	575	152
	575	152
Non-current		
Property related deposits*	1,281	1,727
Loan to Responsible Entity**	150	-
	1,431	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 and New Zealand.

** The loan to the Responsible Entity is unsecured and relates to the AFSL.

10. Investment properties

	Consolidated	
	2019 \$'000	2018 \$'000
Non-current		
Investment properties - at fair value	108,857	64,849
	108,857	64,849
<i>The movement in carrying amount is reconciled as follows:</i>		
Carrying amount at the beginning of the year	64,849	17,169
New acquisitions	27,775	42,898
Lease straight-lining	438	110
Improvements to investment properties (including tenant incentives)	7,145	3,975
Gain/(loss) due to foreign currency translation	2,791	885
Deferred leasing costs	785	845
Asset revaluation increments	6,971	-
Fair value increment/(decrement)	(1,897)	(1,033)
Carrying amounts at the end of the year	108,857	64,849
Comprising:		
Deferred rental income	1,697	1,366
Deferred leasing costs	1,668	891
Fair value of properties (excluding straight-lining)	105,492	62,592
	108,857	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 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 9 November 2018 by Colliers International. Independent valuations for 1 Albert St, 10 & 12 Viaduct Harbour and 110 Customs St West, Auckland was conducted by Jones Land LaSalle as at 30 June 2019.

10. Investment properties (continued)

(ii) Fair value hierarchy (continued)

The fair value measurement for the investment properties listed below as at 30 June 2019 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 10(iii)).

	\$
1700 W Higgins, Chicago (Higgins)	24,791,000
1-3 Albert St, Auckland	54,961,000
10 Viaduct Harbour Ave, Auckland	10,323,000
12 Viaduct Harbour Ave, Auckland	9,941,000
110 Customs St West, Auckland	8,841,000
	108,857,000

(iii) 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
Items included in profit and loss	
Change in fair value of investment property (unrealised)	5,074
Rental income (Lease straight-lining)	438
Item included in other comprehensive income:	
Gain due to foreign currency translation	2,791
New acquisitions	27,775
Deferred leasing costs	785
Improvements to investment properties	7,145
Balance at the end of the year	108,857

10. 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 Properties 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: 8.0% Risk adjusted discount rate: 9.0% 	<p>The estimated fair value would increase/(decrease) if:</p> <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 stabilised occupancy is higher/(lower) The risk adjusted discount rate was lower/(higher)
NZ Properties 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: 2.5% -3.0% p/a Occupancy has been assumed as 100% Total lease up period of 18 months for 1 Albert St with risk, profit and letting up allowance Vacancy period between leases: 6-9 months Risk adjusted discount rate: 6.9% -8.4% Market ground rents have been estimated 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> Expected market rental growth is higher/(lower) Occupancy is (lower) The lease up periods and letting up costs at 1 Albert St are higher/(lower) The vacancy periods between leases are shorter/(longer) The risk adjusted discount rate was lower/(higher) The actual ground rent reviews are higher/(lower)

10. Investment properties (continued)

Leases as lessor

The Trust leases out the investment properties under operating leases which are subject to either fixed rent reviews, indexed rent reviews or market rent reviews and subsequent renewals are negotiated with the lessee. No contingent rents are charged. The weighted average lease term at the Higgins property at 30 June 2019 is 6.9 years (2018: 7.6 years for the Higgins property) and the New Zealand properties at 30 June 2019 is 2.41 years. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Consolidated	
	2019 \$'000	2018 \$'000
Leases as lessor		
Less than one year	4,358	2,658
Between one and five years	10,076	5,964
More than five years	10,684	6,713
	25,118	15,335

11. Trade and other payables

		Consolidated	
	Note	2019 \$'000	2018 \$'000
Current			
Payable to the Responsible Entity	20	127	253
Trade payables		3,417	956
Tenants' security deposits		230	191
Retentions held		66	-
Rent received in advance		87	78
CAM charged payable to tenants'		254	261
Accrued real estate taxes		415	773
Accrued interest payable		289	215
		4,885	2,727

12. Financial liabilities

		Consolidated	
	Note	2019 \$'000	2018 \$'000
Current			
Bank loans secured – fair value	13	-	16,087
Financial liabilities Bridge loan – amortised cost	13	1,150	25,005
A Units	13	-	5,817
		1,150	46,909
Non-current			
Bank loans secured – amortised cost	13	49,434	20,637
Total financial liabilities		50,584	67,546

12. Financial liabilities (continued)

Debt maturity profile

The debt maturity profile as at the reporting date was as follows:

Property	Loan maturity date		Rate	2019 \$'000	2018 \$'000
1700 Higgins (Secured)	1 February 2022	Floating	LIBOR(USA)	14,546	-
1700 Higgins (Secured)	1 March 2019	Fixed	6.25%	-	16,087
1 Albert St, 10-12 Viaduct & 110 Customs St (Secured)	22 October 2021	Floating	BKBM(NZ)	34,888	20,637
Other borrowings – Bridge loan	29 June 2020	Fixed	5.00%	1,150	-
Non-bank subordinated	31 May 2018	Fixed	14.00%	-	25,005
A Units	30 June 2019	N/A	-	-	5,817
				50,584	67,546

The weighted average debt maturity of the current drawn debt facilities (excluding extension options) is 2.3 years.

13. Current and Non current financial liabilities – Terms and Conditions

Bank Loans Secured

1700 Higgins Loan (Refinanced 25 January 2019)

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. The loan was refinanced with the maturity date of 1 February 2022 with options to extend. Key terms of the new loan are:

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

	US\$
Loan limit:	\$14.0m
Initial funding:	\$9.7m
Funding drawn to date for IT/LC/Capex:	\$0.4m
Undrawn future funding for TI/LC/Capex:	\$3.9m
Maturity date:	1 February 2022 + extension options

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 all the NZ properties.

13. Current and Non current financial liabilities – Terms and Conditions (continued)

Other borrowings (Other, Non bank subordinated loan and A Units)

The keys terms (limit, repayment and interest rate) of the other loan, Non bank subordinated loan and A Units are as follows:

1. Other borrowings – Bridge loan limit of \$4,600.00 plus interest to repayment date

- Interest rate of 5% accrued monthly and capitalised
- Maturity date – 29 June 2020

2 Non bank subordinated loan limit of \$23,431,550 plus accrued interest to repayment date:

- Five days post settlement of the next renounceable entitlement offer to unitholders of ATT and 31 May 2018 (terms agreed to extend for a further 4 years from September 2018)
- Interest rate of 14% p.a. accrued monthly and capitalised.
- Has been repaid

3. A Units limit of \$5,817,411:

- Maturity date - 30 June 2019
- No interest
- Has been redeemed

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows:

	2018	Cash flows	Non-cash changes		2019
			Foreign exchange movement	Fair value changes	
	\$'000	\$'000	\$'000	\$'000	\$'000
Long-term borrowings	20,637	28,608	189	-	49,434
Short-term borrowings	46,909	(45,257)	-	(502)	1,150
	67,546	(16,649)	189	(502)	50,584

14. Capital and reserves

Capital management

Trust gearing at 30 June 2019 (debt to total assets) is 45% (30 June 2018: 100%). Undrawn borrowings total approximately \$24m (noting the undrawn amount includes the BNZ re-positioning and capex works facility which was executed after the year end, refer subsequent events). The undrawn borrowings are to fund re-positioning and capex works in NZ and USA.

The Trust entered into a short-term bridge loan facility late June 2019 to fund re-positioning and capex works for \$4.6m of which \$1.2m was drawn at 30 June 2019. This facility has a maturity date of 29 June 2020 and will be repaid upon drawdown of the BNZ re-positioning and capex works facility.

The Trust may hedge its interest rate exposure as it utilises its undrawn borrowings and keep its foreign exchange exposure unhedged in the short term.

Issued capital

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

	2019		2018	
	No. of units	\$'000	No. of units *	\$'000
Opening balance	2,105,742	206,137	231,632	204,361
Units issued:	-	-	-	-
Placement/Rights Offer	-	-	-	-
UPP units issued to participants	96,295	95	-	-
UPP units to underwriter + placement	55,965,927	55,474	-	-
Rounding on unit consolidation at 5 Mar 19	235	-	-	-
Conversion of A units	-	-	1,874,110	1,776
	58,168,199	261,706	2,105,742	206,137

* After consolidation of units on a 100:1 basis

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations which are predominantly represented by the Higgins property, NZ entities and intercompany loans. The balance of the translation reserve at 30 June 2019 was \$5,301,000 (30 June 2018: \$3,659,000) and will be realised upon disposal of the property and extinguishment of its corresponding loans.

15. Financial instruments – Fair values and risk management

The Consolidated Entity's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Consolidated Entity is exposed are market risk, currency risk, interest rate risk, credit risk and liquidity risk. The nature and extent of the financial instruments outstanding at the end of the reporting period and the risk management policies employed by the Consolidated Entity are discussed below.

(a) 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.

30 June 2019		Carrying amount				Fair value			
	Note	Designated at fair value	Cash, loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets measured at fair value									
Trade and other receivables	8	-	222	-	222	-	-	-	-
Cash and cash equivalents	7(a)	-	1,039	-	1,039	-	-	-	-
Financial liabilities not measured at fair value									
Trade payables	11	-	-	4,885	4,885	-	-	-	-
Other loan	12	-	-	1,150	1,150	-	-	-	-
Bank loans	12	-	-	49,434	49,434	-	-	-	-
30 June 2018									
Trade and other receivables	8	-	24	-	24	-	-	-	-
Cash and cash equivalents	7(a)	-	403	-	403	-	-	-	-
Financial liabilities measured at fair value									
Bank Loans – secured	12	16,087	-	-	16,087	-	-	16,087	16,087
Financial liabilities not measured at fair value									
Trade payables	11	-	-	2,725	2,725	-	-	-	-
Borrowings	12	-	-	25,005	25,005	-	-	-	-
A units	12	-	-	5,817	5,817	-	-	-	-
Bank loans	12	-	-	20,637	20,637	-	-	-	-

15. Financial instruments – Fair values and risk management (continued)

(b) Financial risk management

The Consolidated Entity has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

(i) Risk management framework

The Consolidated Entity's Responsible Entity has overall responsibility for the establishment and oversight of the Consolidated Entity's risk management framework. The Responsible Entity has established a framework for developing and monitoring the Consolidated Entity's risk management policies. The Responsible Entity regularly reviews these policies.

The Consolidated Entity's risk management policies are established to identify and analyse the risks faced by the Consolidated Entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities.

The Consolidated Entity's Audit Committee oversee how management monitors compliance with the Consolidated Entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity.

(ii) Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Entity's receivables from customers and investments in debt securities.

The Consolidated Entity has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting period. There were no significant concentrations of credit risk to counterparties at 30 June 2019. There are no financial assets that are past due or impaired which are considered to have significant credit risk.

Trade and other receivables

The Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry, country in which customers operate and historical trends.

15. Financial instruments – Fair values and risk management (continued)

Trade and other receivables (continued)

At 30 June 2019, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

	2019 \$'000	2018 \$'000
USA	1	14
Australia	64	30
New Zealand	157	(20)
	222	24

(iii) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation. The Consolidated Entity's liquidity risk is monitored on a monthly basis by the Responsible Entity.

The table below presents cash flows on financial liabilities payable by the Consolidated Entity by remaining contractual maturities at the end of the reporting period. The amounts disclosed are the contractual, undiscounted cash flows:

Contractual cash flows						
	Carrying amount \$'000	Total \$'000	6 months or less \$'000	6-12 months \$'000	12-24 months \$'000	More than 24 months \$'000
2019						
Non-derivative financial liabilities						
Trade payables	4,885	4,885	4,239	646	-	-
Other loan	1,150	1,150	-	1,150	-	-
Bank loans	49,434	49,434	-	-	34,888	14,546
	55,469	55,469	4,239	1,796	34,888	14,546
2018						
Non-derivative financial liabilities						
Trade payables	2,725	2,725	1,659	1,066	-	-
Bank loans and borrowings	16,087	16,087	457	15,630	-	-
Other borrowings	25,005	25,005	25,005	-	-	-
Bank loan	20,637	20,637	-	-	20,637	-
	64,454	64,454	27,121	16,696	20,637	-

There are no cash flows associated with derivatives that are cash flow hedges and that are expected to occur and impact profit or loss.

15. Financial instruments – Fair values and risk management (continued)

(iv) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Consolidated Entity's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The strategy on the management of investment risk is driven by the Trust's investment objective. The market risk is managed on a daily basis by the Responsible Entity in accordance with the investment guidelines as outlined in the Trust's PDS and subsequent announcements.

Currency risk

The Trust is exposed to exchange rate fluctuations on its investments in the United States of America ("USA") and New Zealand ("NZ"), since its investments is denominated in Australian dollars ("AUD"). The Trust invests in properties in the USA and NZ acquired with USA dollars and NZ dollars loans which provide a partial natural hedge.

As at the reporting date, the Consolidated Entity's total gross exposure to financial assets and liabilities which are held in foreign currency at the end of the reporting period was as follows:

	2019			2018		
	AUD \$'000	USD* \$'000	NZD* \$'000	AUD \$'000	USD* \$'000	NZD* \$'000
Cash and cash equivalents	931	68	40	170	66	167
Receivables and other assets	64	1	157	30	14	(20)
Other assets - current	8	12	555	39	38	75
Other assets - non-current	150	1,168	113	-	1,727	-
Payables	(242)	(1,837)	(2,806)	(137)	(2,172)	(416)
Loans and borrowings	(1,150)	(14,546)	(34,888)	(30,822)	(16,087)	(20,637)
Net statement of financial position exposure	(239)	(15,134)	(36,829)	(30,720)	(16,414)	(20,831)

* These amounts are expressed in AUD but represent financial instruments that are denominated in US dollars and NZ dollars and converted to AUD on consolidation.

15. Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

Sensitivity analysis

A reasonably possible strengthening (weakening) of the AUD against the USD and NZD at 30 June 2019 would have affected the measurement of financial instruments and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Consolidated			
	Profit or loss Strengthening \$'000	Weakening \$'000	Equity, net of tax Strengthening \$'000	Weakening \$'000
30 June 2019				
USD (10% movement)	109	(109)	487	(487)
30 June 2018				
USD (10% movement)	128	(128)	332	(332)
30 June 2019				
NZD (10% movement)	(646)	646	(3,956)	3,956
30 June 2018				
NZD (10% movement)	(13)	13	(1,981)	1,981

Interest rate risk

The NZ loan and US loans are variable interest rate loans. A strengthening (weakening) of the interest rate would affect the profit and loss. The analysis below shows the impact of a 1% interest rate change.

15. Financial instruments – Fair values and risk management (continued)

Interest movements – variable rate instruments

	Impact on Borrowing Costs					
	Actual \$'000	2019 +1% \$'000	-1% \$'000	Actual \$'000	2018 +1% \$'000	-1% \$'000
Loans and borrowings - variable	49,434	494	494	-	-	-
Cash and cash equivalents	1,039	10	10	403	4	4

Exposures arise predominantly from assets and liabilities bearing non fixed interest rates. The Consolidated Entity's exposure to interest rate risk is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. As at the reporting date, the interest rate profile of the Consolidated Entity's interest-bearing financial instruments as reported was:

	Consolidated	
	2019 \$'000	2018 \$'000
Fixed-rate instruments		
Loans and borrowings	(1,150)	(61,729)
Variable-rate instruments		
Cash and cash equivalents	1,039	403
Loans and borrowings	(49,434)	(20,637)

16. Earnings per unit

The calculation of basic earnings/(loss) per unit at 30 June 2019 was based on the earnings attributable to unitholders of the Trust of \$2,559,905 (2018: \$4,276,977 loss) and a weighted average number of units outstanding of 30,399,260 (2018: 313,784), calculated as follows:

	2019 \$	2018* \$
Net profit/(loss) attributable to unitholders of the Trust	2,559,905	(4,276,977)

	2019	2018
Weighted average number of units (basic)		
In units		
Issued units at 1 July	2,105,742	231,632
Effect of units issued	28,293,518	82,152
Weighted average number of units at 30 June	30,399,260	313,784

* Adjusted to reflect 100:1 consolidation of units in 2019.

Diluted earnings per unit

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

17. Operating segments

The main businesses of the Consolidated Entity are 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.

Consolidated Entity – 2019	USA \$'000	Australia \$'000	NZ \$'000	Total \$'000
External revenues	2,544	-	5,561	8,105
Interest income	1	-	1	2
Net gain/(loss) on foreign exchange	-	12	-	12
Net gain on refinance of financial liability	84	-	-	84
Other income	-	-	2	2
Total income	2,629	12	5,564	8,205
Borrowing costs	1,041	2,169	1,382	4,592
Other operating expenses	2,388	1,539	3,428	7,355
Total expenses	3,429	3,708	4,810	11,947
Changes in fair value of investment properties	(1,909)	-	6,983	5,074
Change in fair value of financial liability	1,228	-	-	1,228
Profit/(loss) before income tax	(1,481)	(3,696)	7,737	2,560
Income tax	-	-	-	-
Profit/(loss) after income tax	(1,481)	(3,696)	7,737	2,560
Segment assets	26,041	1,152	84,931	112,124
Segment liabilities	16,383	1,392	37,694	55,469

17. Operating segments (continued)

Consolidated Entity – 2018	USA \$'000	Australia \$'000	NZ \$'000	Total \$'000
External revenues	2,974	92	990	4,056
Interest income	1	(1)	-	-
Net gain/(loss) on foreign exchange	-	17	-	17
Other income	-	30	23	53
Total income	2,975	138	1,013	4,126
Borrowing costs	1,145	2,204	389	3,738
Other operating expenses	2,156	946	475	3,577
Total expenses	3,301	3,150	864	7,315
Changes in fair value of investment properties	(1,085)	-	-	(1,085)
Change in fair value of financial liability	(3)	-	-	(3)
Loss before income tax	(1,414)	(3,012)	149	(4,277)
Income tax	-	-	-	-
Profit/(Loss) after income tax	(1,414)	(3,012)	149	(4,277)
Segment assets	23,797	240	43,118	67,155
Segment liabilities	18,260	30,959	21,052	70,271

18. Parent entity

As at, and throughout, the financial year ended 30 June 2019 the parent entity ("Parent Entity") of the Consolidated Entity was the Trust.

Results of the Parent Entity	2019 \$'000	2018 \$'000
Loss for the year	(3,254)	(3,012)
Other comprehensive income	-	-
Total comprehensive loss for the year	(3,254)	(3,012)
Financial position of the Parent Entity at year end	2019 \$'000	2018 \$'000
Current assets	1,002	240
Non-current assets	52,451	30,629
Total assets	53,453	30,869
Current liabilities	1,392	31,122
Non-current liabilities	-	-
Total liabilities	1,392	31,122
Total equity of the Parent Entity comprising of:	2019 \$'000	2018 \$'000
Issued capital	261,707	206,137
Reserves	(3,187)	(3,185)
Accumulated losses	(206,459)	(203,205)
Total equity	52,061	(253)

19. Group Entities

		Consolidated Entity Interest	
	Class of units	30 June 2019 %	30 June 2018 %
Parent Entity			
Quattro Plus Real Estate			
Controlled entities			
RCU RRT, LLC	Ordinary	99.9	99.9
Mariner American Property Income REIT, Limited	Ordinary	99.9	99.9
ATT USA 1 Trust	Ordinary	100	100
ATT NZ 1 Trust	Ordinary	100	100
Controlled entities of Mariner American Property Income REIT, Limited			
Mariner Higgins LLC	Ordinary	100	100
Mariner One Centennial LLC	Ordinary	100	100

The parent entity, ATT USA 1 Trust and ATT NZ 1 Trust are incorporated in Australia whilst all the other controlled entities are incorporated in the USA. Mariner American Property Income REIT Limited and RCU RRT LLC also have preferred units on issue held by external parties. Ultimately, Quattro Plus Real Estate owns 99.9% of the issued capital of Mariner American Property Income REIT Limited and RCU RRT LLC. There are no significant restrictions which restrict the ability of the controlled entities to transfer funds to the parent by way of cash distributions or loan repayments.

20. 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 Alceon Group Pty Limited are considered to be related parties of the Trust. Alceon Group Pty Limited is considered a related party due to its significant ownership in 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 financial year were as follows:

Antony Wood
Andrew Saunders
Peter Chai
Nicholas Hargreaves (appointed 1 September 2018)

20. Related parties (continued)

Other than as disclosed, The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the Responsible Entity or its key management personnel or their personally related entities at any time during the reporting period.

Unit holdings of the Responsible Entity and its key management personnel

Mr. Andrew Saunders, a Director and the Company Secretary of the Responsible Entity, and his associates own 317,496 units in the Trust. Alceon Group Pty Limited own 53,258,223 units in the Trust.

Related party investments held by the Trust

As at 30 June 2019 the Trust held no investments in the Responsible Entity or their associates (2018: Nil).

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.

20. Related parties (continued)

	Note	2019 \$'000	2018 \$'000
Transactions with related parties - Consolidated			
<i>Charged by the Responsible Entity and related parties:</i>			
Responsible Entity/Management fees	see i below	624	377
Acquisition fees		392	626
Capital arrangement fees		131	209
Due diligence fees		-	89
Expense recoveries		168	287
<i>Other related parties:</i>			
Loan interest (to Alceon Group Pty Limited)		1,991	1,466
Balances outstanding with related parties - Consolidated			
<i>To the Responsible Entity (included in payables)</i>			
Responsible Entity fees		127	50
US asset management fees		-	203
	11	127	253
Unsecured loan receivable - Consolidated			
Quattro RE Limited		150	-
	9	150	-
Unsecured loan payable - Consolidated			
Alceon Group Pty Limited		1,150	-
	12	1,150	-

i. Responsible Entity fees are calculated on the following basis:

- 0.75% of the asset value
- Quattro Management No 2 Pty Limited was appointed to act as the Trust's investment manager under a delegated authority by the Responsible Entity. Quattro Management No 2 Pty Limited is owned equally by a related entity of Andrew Saunders and a related entity of Alceon Group Pty Limited.

21. Capital commitments

On 16 June 2019 the Trust entered into a conditional contract to acquire 87 Albert St, Auckland CBD for NZ\$33.8m. The contract is anticipated to become unconditional on 29 August 2019, with settlement due late September 2019. The 7,250sqm grade B property is strategically located in the mid-town precinct adjacent to the new CBD rail station, which is expected to be Auckland's busiest transport hub when the CBD circle line is complete in 2024. The Trusts strategy is to re-position and refurbish the property.

On 2 June 2019 the Trust entered into a conditional contract to acquire 2 billboard structures located at 1700 W. Higgins for US\$1.8m, with a strategy to digitise the 4 faces. The billboards are 2 of 12 approved by the City and are seen by over three million people per annum due their location on interstate i90 and O'Hare Airport. They are the only 2 billboard structures, 4 faces, approved by the City for digitisation. The contract is conditional and is due to settle in late September 2019. The Trust has received several rent and profit share proposals from national billboard companies in relation to the digitised billboards, negotiations are progressing.

22. Contingencies

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.

23. Events subsequent to the end of the reporting period

On 15 August 2019 The City formally approved the reduction in statutory expense and the digitisation of the 2 billboards, as well as the subdivision of the property to allow for a new standalone restaurant and increased parking. The reduction in statutory expenses requires an approval from the county, which is anticipated in December 2019.

On 16 August 2019, The BNZ re-positioning and capex facility was executed providing funds to repay the short- term bridge loan of \$1.2m and for the continued re-positioning of the Trust's NZ portfolio. The total facility is NZ\$19.6m.

Directors' declaration

1. In the opinion of the Directors of Quattro RE Limited ("Responsible Entity"), the Responsible Entity for Quattro Plus Real Estate ("Trust"):
 - (a) the consolidated financial statements and notes, set out on pages 11 to 49, 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 30 June 2019 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (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.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from persons performing the chief executive function and chief financial officer function for the year ended 30 June 2019.
3. The Directors draw attention to Note 2(a) of the financial report which contains a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Responsible Entity:



Andrew Saunders
Director

Sydney, 30 August 2019

**QUATTRO PLUS REAL ESTATE
ARSN 114 494 503
INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF QUATTRO PLUS REAL ESTATE**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Quattro Plus Real Estate “the trust” and its controlled entities “the Group”, which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors’ declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group’s financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (c) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* “the Code” that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Investment properties Refer to Note 10 in the Notes to the Financial Statements.</p> <p>The Group has interests in commercial investment properties which is carried at a fair value of \$108,857,000 at 30 June 2019 which represents 97.15% of total assets.</p> <p>Fair value is determined by reference to independent valuations, with changes in fair value recognised in the statement of profit or loss.</p> <p>Valuations contain a number of key inputs and assumptions which are based on market evidence of transaction prices for comparable properties. Changes in certain assumptions can lead to significant changes in the valuation.</p> <p>Note 10 of the financial statements discloses the key assumptions.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Evaluating the Group's processes and assessing the design and operating effectiveness of relevant controls over recording and reporting the determination of the carrying value of investment properties; • Obtaining the most recent management's independent experts report. Considering their competence and independence, as well as evaluating the scope and methodology of their work; • Obtaining an understanding from reading the independent valuations of assumptions made in relation to vacancy rates, growth rates for rental income and property outgoings, capitalisation and discount rates, and capital expenditure; • Agreeing data used in the valuation to the actual and budgeted financial performance of the properties; • Considering the adequacy of the key inputs and assumptions used by the valuer by comparing them to prior period valuations and other market evidence; • Considering the adequacy of the disclosures in the financial statements.
<p>Going Concern Refer to Note 2(b) of the summary of significant accounting policies.</p> <p>The Directors of the Responsible Entity have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report taking into consideration the forecast cash flows for the following twelve months and the available financing facilities.</p> <p>Note 3(a) discloses that for the year ended 30 June 2019, the Trust reported a net profit of</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Reviewing and challenging the judgements, assumptions and estimates used in the cash flow forecast for the year ending 30 June 2020, approved by the Directors of the responsible entity;

\$2,560,000 and had net cash outflows from operating activities of \$1,511,000 for the year ended 30 June 2019. As at 30 June 2019, the Group had cash assets of \$1,039,000 and net assets of \$56,655,000.

The cash flow forecast includes judgements, assumptions and estimates such as future revenue, expenditure and capital expenditure.

In assessing this key audit matter, we involved senior audit team members who understand the Trust's structure.

- Checking the mathematical accuracy of the cash flow forecast for the year ending 30 June 2020;
- Performing sensitivity analysis on the cash flow forecast to determine the extent of changes necessary to result in the Group not having sufficient resources to meet its forecast liabilities as they fall due for a period of 12 months from the date of the report;
- Reviewing subsequent events including variations to long term funding agreements;
- Considering the adequacy of the disclosures in the financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors of Quattro RE Limited "the Responsible Entity" are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mark Godlewski

MARK GODLEWSKI
Partner
29 August 2019

Pitcher Partners

PITCHER PARTNERS
Sydney

ASX Additional information

Quattro Plus Real Estate (the "**Trust**") is a registered managed investment scheme established and domiciled in Australia. The Trust is listed on the Australian Securities Exchange ("**ASX**") under the code: QPR. Quattro RE Limited, is the Responsible Entity of the Trust.

The following information in relation to unit holdings is provided as at 8 August 2019.

Substantial unitholders

The number of units held by the Trust's substantial unitholders and the date on which the last notice was lodged with the ASX are as follows:

	Date of notice	No. of securities	% of issued capital
Alceon Group Pty Limited	15 June 18	53,258,223	91.56

Voting rights

The provisions of the *Corporations Act 2001* governing proxies and voting for meetings of members of registered managed investment schemes apply to the Trust except that no objection may be made to any vote cast at a meeting unless the objection is made at the meeting.

For so long as the Trust is listed on the ASX, the Responsible Entity and its associates are entitled to vote their interest on resolutions to remove the Responsible Entity and choose a new Responsible Entity.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holdings:

Range	No. of unitholders	No. of securities	% of issued capital
1 to 1,000	478	38,104	0.07
1,001 to 5,000	25	52,370	0.09
5,001 to 10,000	5	42,500	0.07
10,001 to 100,000	10	185,552	0.32
100,001 and Over	12	57,849,673	99.45
Total	530	58,168,199	100.00

The number of security investors holding less than a marketable parcel on 8 August 2019 is 465 and they hold 29,977 securities.

On-market buy back

There is no current on-market buy-back.

ASX Additional information (continued)
Twenty largest equity security holders

The 20 largest holders of quoted equity securities at 8 August 2019 are set out below:

	No. of securities	% of issued capital
ALCEON GROUP PTY LTD	53,258,223	91.56
UBS NOMINEES PTY LTD	1,818,181	3.13
J K M SECURITIES PTY LIMITED	1,225,719	2.11
QUATTRO MANAGEMENT PTY LIMITED	311,433	0.54
MONAL PTY LIMITED	252,526	0.43
GUMIKAZ PTY LTD	202,021	0.35
FARINWAY PTY LTD	151,516	0.26
PALN PTY LTD	151,516	0.26
PRADHI HOLDINGS PTY LTD	151,516	0.26
VIVRE INVESTMENTS PTY LTD	125,000	0.21
ALBATROSS GROUP PTY LTD	101,011	0.17
KISO HOLDINGS PTY LTD	101,011	0.17
JULIE PARKER PTY LIMITED	30,304	0.05
MNJS FAMIY PTY LTD	30,304	0.05
ONE MANAGED INVT FUNDS LTD	24,152	0.04
LAURUS LIMITED	20,000	0.03
HEXT FAMILY INVESTMENTS PTY LTD	15,552	0.03
GRENFIELD SUPERANNUATION PTY LTD	15,273	0.03
MR BENJAMIN ROBERT DILLON	15,185	0.03
JASCOT RISE PTY LTD	12,067	0.02
Total	58,012,510	99.73

Corporate directory

Registered and Administration office

Quattro RE Limited as responsible entity for Ante Real Estate Trust
Level 9
117 Macquarie Street
Sydney NSW 2000
AUSTRALIA
Phone: 1800 622 812

Company secretary: Mr Andrew Saunders

Unit registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
AUSTRALIA
Phone: 02 8280 7111

Auditor

Pitcher Partners
Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Website

www.quattroplusrealestate.com.au