Quattro Plus Real Estate

ARSN 114 494 503

Financial report for the half year ended 31 December 2019

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2019 and in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' report

The Directors of Quattro RE Limited (**"Quattro"** or "**Responsible Entity**"), the Responsible Entity for Quattro Plus Real Estate ("**QPR**" or "**the Trust**" - ASX: QPR) (formally Ante Real Estate Trust - ASX: ATT) present their report together with the interim consolidated financial statements of the Consolidated Entity for the half-year reporting period of six months ended 31 December 2019 and the independent auditor's review 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 interim 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 and other managers, 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 period and up to the date of this report, unless otherwise stated are as follows:

Antony Wood
Andrew Saunders
Peter Chai
Nicholas Hargreaves

The Directors consider that because the majority of Directors during or since the end of the half-year reporting period were non-executive and independent, an adequate segregation of responsibilities has applied during the half-year 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 six properties, five of which are in the Auckland CBD, New Zealand and one in Chicago, USA.

Results for the half year ended 31 December 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 loss from continuing operations for the half year ended 31 December 2019 was $1,041,000 (2018: $2,786,000 loss). The loss was largely attributable to borrowing costs and reduced occupancy at properties being refurbished and upgraded.

As at 31 December 2019, the Trust's net tangible assets ("**NTA**") was $1.00 per unit (30 June 2019: $0.97). The increase in NTA is attributable to the capital raise of $24.4m completed in December 2019, with the proceeds applied to the repayment of the non-bank bridge loan facility used for the acquisition of 87 Albert Street Auckland, and an increase in the total book value of the property portfolio at 31 December 2019 from capital expenditure.

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 as well as earnings are predominately 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 31 December 2019.

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

Investment property

The total value of the Trust's property portfolio at 31 December 2019 was $150.2m, an increase of 38% over the half-year reporting period (30 June 2019: $108.9m). The Trust owns five 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 87 Albert St, Auckland for NZ$33.8m in October 2019 and refurbishment and upgrade works spent during the period across the property portfolio.

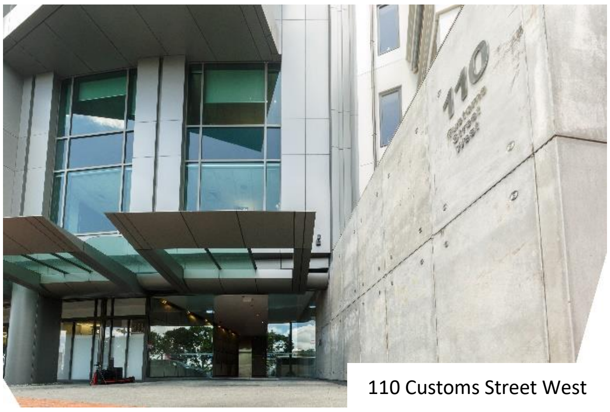
1 Albert Street, Auckland CBD

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 2020. The property is currently 53% leased.

Level 1, 1 Albert Street

110 Custom Street West, Auckland CBD

The property is 100% leased and was acquired by the Trust in late 2018. The Trust holds long term leasehold arrangements for the property that are perpetually renewable. The next ground rent review is due to occur on 1 January 2026. A number of market rent reviews are currently in progress.



110 Customs Street West

Investment property (continued)

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 has been finalised. The Trust holds long term leasehold arrangements for the property that are perpetually renewable. The next ground rent review due to occur on 1 October 2028.

10 Viaduct Harbour

12 Viaduct Harbour, Auckland CBD

The property was acquired by the Trust in late 2018 and is currently 78% leased. The ground floor of the property is currently being re-positioned to provide a café bar and a studio gym, with works expected to be completed in March 2020. The Gym is leased to a F45 franchise and the café lease is being negotiated. A major tenant has renewed its lease for a 10-year term at a rent significantly above the rents in place at the time the property was acquired. The Trust holds long term leasehold arrangements for the property that are perpetually renewable. The next ground rent review due to occur on 1 October 2028.

12 Viaduct Harbour

87 Albert Street, Auckland CBD

The property was acquired by the Trust in October 2019 and is a 13-level office building comprising of 10 levels of office accommodation, ground level retail and 2 levels of basement parking. The property is currently 60% leased and is in an excellent location for long term growth, facing the entrance to the new Aotea rail station and within the Sky City precinct. A number of proposals are being considered to upgrade or redevelop the asset.

87 Albert Street

Investment property (continued)

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 58% leased, with a number of new leases under negotiation which will increase occupancy to approximately 70%.

1700 W.Higgins Road

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$17.0m 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.

On 2 October 2019, the BNZ facility increased by a further NZ$16.9m to $70.4m to partly fund the acquisition of 87 Albert St, Auckland.

On 18 December 2019, the Trust completed a $24.4 million non-renounceable Entitlement Offer representing a 93.8% take up from eligible unitholders. A total of 22,173,951 new units were issued at $1.10 providing further scale and liquidity to the Trust.

Proceeds of the Entitlement Offer were used to repay the non-bank bridge loan that partly funded the acquisition 87 Albert St, Auckland on 2 October 2019, and to provide working capital for the Trust and funding to continue progressing the value-add strategies across the portfolio.

Drawn borrowings totalled $71.9m at 31 December 2019 with Trust gearing at 41% (30 June 2019: 45%). Undrawn borrowings total approximately $16m. 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 443,186 units in the Trust. Alceon Group Pty Limited hold 75,243,048 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	31-Dec-19 $'000	31-Dec-18 $'000
Transactions with related parties - Consolidated			
Charged by the Responsible Entity and related parties:			
Responsible Entity/Management fees	see i below	**459**	208
Acquisition fees		**478**	392
Capital arrangement fees		**252**	131
Expense recoveries		**89**	84
Loan interest – Alceon Group Pty Limited		**624**	1,991
		1,900	2,806
Balances outstanding with related parties - Consolidated			
To the Responsible Entity (included in payables)			
Responsible Entity fees		**190**	41
		190	41
Unsecured loan receivable - Consolidated			
Quattro RE Limited		**150**	150
		150	150

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

- 0.75% p.a. of the gross carrying value of the Assets, calculated as at the end of each calendar month
- 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.

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 half-year reporting period

The Trust is currently assessing and negotiating a number of acquisition opportunities in New Zealand, which if successful, would result in further scale of the Trust in the Auckland CBD.

Going concern

The consolidated interim financial report of the Trust has been prepared on a going concern basis which contemplates continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The available cash and cash equivalents at 31 December 2019 were $4,087,000 (30 June 2019: $1,039,000). Undrawn borrowings total approximately $16m.

The Responsible Entity has prepared cashflow budgets through to 31 March 2021 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 period 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 period 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 period 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 period were:

Taxation compliance services	$17,369
Audit – half year review	$27,000
Audit – full year	$43,450

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 9 and forms part of the Directors' Report for the year period 31 December 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, 28 February 2020

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

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

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Mark Godlewski

M A GODLEWSKI
Partner

PITCHER PARTNERS

Sydney

28 February 2020

Statement of Profit or loss and Other Comprehensive Income (Consolidated)

as at 31 December 2019

	Note	31-Dec-19 $'000	31-Dec-18 $'000
Revenue and other income			
Rental income from investment properties		3,790	2,428
Recoverable outgoings from investment properties		1,293	1,069
Other income		125	1
Net (loss)/gain on foreign exchange		(6)	(14)
Total revenue and other income		**5,202**	**3,484**
Expenses			
Property expenses		2,559	2,055
Lease liability interest	9	791	-
Responsible Entity management fees		459	208
Custodian fees		8	8
Borrowing costs		1,586	3,268
Provision for Doubtful Debts		74	-
Other operating expenses		754	862
Total expenses		**6,231**	**6,401**
Change in fair value of investment property		(12)	(1,097)
Change in fair value of financial liability		-	1,228
(Loss) for the half year before income tax		**(1,041)**	**(2,786)**
Income tax		-	-
(Loss) for the half year		**(1,041)**	**(2,786)**

Continued on page 11

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

Statement of Profit or loss and Other Comprehensive Income (Consolidated)

as at 31 December 2019

	Note	31-Dec-19 $'000	31-Dec-18 $'000
(Loss) for the period		**(1,041)**	**(2,786)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		523	1,339
Total other comprehensive income/(loss)		**523**	**1,339**
Total comprehensive (loss) for the period		**(518)**	**(1,447)**
Total comprehensive (loss) for the period attributable to unitholders		**(518)**	**(1,447)**
Earnings per unit for (loss)/profit attributable to the ordinary equity holders of the Trust		**Cents**	**Cents**
Basic and diluted earnings/(loss) per unit	7	**(1.74)**	**(53.53)**

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

Statement of Changes in Equity (Consolidated)

as at 31 December 2019

Consolidated Entity	**Issued capital $'000**	**Translation reserve $'000**	**Accumulated losses $'000**	**Total equity $'000**
2018				
Balance at 30 June 2018	206,137	3,659	(212,912)	(3,116)
Total comprehensive income for the period				
Profit for the period	-	-	(2,786)	(2,786)
Translation of foreign operations	-	1,339	-	1,339
Total comprehensive income for the period	**-**	**1,339**	**(2,786)**	**1,447**
Transactions with owners, recorded directly in equity				
Units issued	55,780	-	-	55,780
Total transactions with owners	55,780	-	-	55,780
Balance at 31 December 2018	**261,917**	**4,998**	**(215,698)**	**51,217**
2019				
Balance at 30 June 2019	261,706	5,301	(210,352)	56,655
Total comprehensive income for the period				
Loss for the period	-	-	(1,041)	(1,041)
Translation of foreign operations	-	523	-	523
Total comprehensive income for the period	**-**	**523**	**(1,041)**	**(518)**
Transactions with owners, recorded directly in equity				
Units issued	24,392	-	-	24,392
Total transactions with owners	24,392	-	-	24,392
Balance at 31 December 2019	**286,098**	**5,824**	**(211,393)**	**80,529**

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

Balance Sheet (Consolidated)

as at 31 December 2019

	Note	31-Dec-19 $'000	30-Jun-19 $'000
Current assets			
Cash and cash equivalents		4,087	1,039
Trade and other receivables	1	973	222
Other assets	2	260	575
Total current assets		**5,320**	**1,836**
Non-current assets			
Investment properties	4	150,215	108,857
Right of use assets and net investments in leases	9	20,145	-
Other assets	2	1,105	1,431
Total non-current assets		**171,465**	**110,288**
Total assets		**176,785**	**112,124**
Current liabilities			
Trade and other payables	3	4,172	4,885
Non-bank loans	5	-	1,150
Total current liabilities		**4,172**	**6,035**
Non-current liabilities			
Financial liabilities	5	71,939	49,434
Lease liabilities	9	20,145	-
Total non-current liabilities		**92,084**	**49,434**
Total liabilities		**96,256**	**56,469**
Net assets		**80,529**	**56,655**
Equity			
Issued capital	6	286,098	261,706
Reserves		5,824	5,301
Accumulated losses		(211,393)	(210,352)
Total equity		**80,529**	**56,655**

The consolidated interim statement of financial position should be read in conjunction with the accompanying notes. AASB 16 Leases has been applied prospectively from 1 July 2019. Refer to note 9 for further information.

Cash Flow Statement (Consolidated)

as at 31 December 2019

	31-Dec-19 $'000	31-Dec-18 $'000
Cash flows from operating activities		
Receipts in the course of operations	6,010	3,587
Payments in the course of operations	(6,803)	(3,790)
Payments of interest and other borrowing costs	(1,225)	(1,000)
Net cash used in operating activities	**(2,018)**	**(1,203)**
Cash flows from investing activities		
Payment to acquire investment property	(32,286)	(25,664)
Payments for improvements to investment properties and reserves	(7,845)	(2,021)
Transfer funds to capital reserve	-	-
Loans from/(to) other entities	619	(471)
Net cash (used in) investing activities	**(39,512)**	**(28,156)**
Cash flows from financing activities		
Proceeds from borrowings	41,272	28,702
Repayment of borrowings	(21,003)	(48,477)
Proceeds from issue of units	24,391	56,000
Transaction costs related to issues of shares, convertible notes or options	(20)	-
Transaction costs relating to borrowings	(99)	(216)
Net cash from financing activities	**44,541**	**36,009**
Net increase/(decrease) in cash and cash equivalents	**3,011**	**6,650**
Cash and cash equivalents at 1 July 2019	**1,039**	**403**
Effect of exchange rate fluctuations on cash held	**37**	**13**
Cash and cash equivalents at 31 December 2019	**4,087**	**7,066**

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

Notes to the consolidated interim financial statements

Reporting entity

Quattro Plus Real Estate ("**QPR**" or "**the Trust**" - ASX: QPR), is a registered managed investment scheme under the *Corporations Act 2001*. The consolidated interim financial report of the Trust as at and for the half-year reporting period of six months ended 31 December 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 half-year reporting period was the derivation of rental income from investment properties located in the United States of America (**"USA"**) and New Zealand (**"NZ"**).

Basis of preparation

(a) Statement of compliance

The consolidated interim financial report is a general-purpose financial report which has been prepared for a for-profit entity for the half-year reporting period ended 31 December 2019 and which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated interim financial report does not include all the information required for an annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2019 and the ASX announcements released during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements are presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) except where otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.The financial report has also been prepared on a historical cost basis, except for investment properties and loans designated at fair value through profit and loss, which have been measured at fair value.

The financial statements were approved by the Directors of the Responsible Entity on 28 February 2020.

(b) Impact of new and amended accounting standards

The new accounting standard AASB 16 Leases became effective for the Trust on 1 July 2019. The impact of the adoption of AASB 16 and changes in the Trust's accounting policies are disclosed in Note 9. All other mandatory standards, interpretations and amendments relevant for periods commencing 1 July 2019 have been adopted and have had no material impact.

Basis of preparation (continued)

(c) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing the consolidated interim financial statements, the judgements made by the Responsible Entity in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2019.

(d) Going concern

The consolidated interim financial report of the Trust has been prepared on a going concern basis which contemplates continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The available cash and cash equivalents at 31 December 2019 were $4,087,000 (30 June 2019: $1,039,000). Undrawn borrowings total approximately $16.m

The Responsible Entity has prepared cashflow budgets through to 31 March 2021 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.

(e) Significant accounting policies

Except as disclosed below, the accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those followed in the preparation of the Consolidated Entity's annual financial statements as at 30 June 2019.

(f) Leases

The new accounting standard AASB 16 *Leases* became effective for the Trust on 1 July 2019. The impact of the adoption of AASB 16 and changes in the Trust's accounting policies are disclosed in Note 9. As a result of applying AASB 16, the Trust recognised additional assets and liabilities.

1. Trade and other receivables

	31-Dec-19 $'000	30-Jun-19 $'000
Rental income receivables	285	-
Trade receivables	-	-
Other receivables	688	222
	973	**222**

2. Other assets

	31-Dec-19 $'000	30-Jun-19 $'000
Current		
Prepaid expenses	260	575
	260	**575**
Non-current		
Property related deposits*	955	1,281
Loan to Responsible Entity**	150	150
	1,105	**1,431**

* 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.

3. Trade and other payables

	31-Dec-19 $'000	30-Jun-19 $'000
Current		
Payable to the Responsible Entity	190	127
Trade payables	1,946	3,417
Tenants' security deposits	230	230
Retentions held	114	66
Rent received in advance	400	87
CAM charges payable to tenants	140	254
Accrued real estate taxes	834	415
Accrued interest payable	318	289
	4,172	**4,885**

4. Investment Properties

	31-Dec-19 $'000	30-Jun-19 $'000
Non- current		
Investment properties – at fair value	150,215	108,857
	150,215	**108,857**
The movement in the carrying amount is reconciled as follows:		
Carrying amount at the beginning of the period	108,857	64,849
New acquisitions	34,198	27,775
Lease straight-lining	73	438
Improvements to investment properties (including tenant incentives)	6,092	7,145
Deferred leasing costs	1,239	1,668
Asset revaluation increments	-	6,971
Gain/(loss) due to foreign currency translation	(232)	2,791
Change in fair value of investment property	(12)	(2,780)
Carrying amount at the end of the period	**150,215**	**108,857**
Comprising of:		
Deferred rental income	1,946	1,697
Deferred leasing costs	1,239	1,668
Fair value of properties (excluding straight-lining)	147,030	105,492
	150,215	**108,857**

The fair value of investment property (including straight-lining) at 31 December 2019 is as set out in the following table.

	31-Dec-19 A$'000	30-Jun-19 A$'000
Property		
1700W Higgins, Chicago	25,912	24,791
1 Albert Street, Auckland	58,527	54,961
10 Viaduct Harbour, Auckland	11,109	10,323
12 Viaduct Harbour, Auckland	11,576	9,941
110 Customs St West, Auckland	8,890	8,841
87 Albert Street, Auckland	34,201	-
	150,215	**108,857**

4. Investment Properties (continued)

Measurement of fair value

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

(i) Fair value hierarchy

The Trust has an internal valuation process for determining the fair value at each reporting date. An independent valuer, having an appropriate professional qualification and recent experience in the location and category of the property being valued, values individual properties annually or more regularly if considered appropriate. These external valuations are taken into consideration by the Directors of the Responsible Entity when determining the fair values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgably, 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 Lang LaSalle as at 30 June 2019. The independent valuation for 87 Albert St, Auckland was conducted as at 15 July 2019 as part of the due diligence process for the purchase of the building.

The fair value measurement for all six (6) investment properties, has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4(ii) below).

(ii) Level 3 fair value

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

	31-Dec-19 $'000	**30-Jun-19 $'000**
Balance at the beginning of the period	108,857	64,849
New acquisitions	34,198	27,775
Deferred leasing costs	1,239	785
Items included in profit and loss		
• Rental income (Lease straight lining)	73	438
• Change in fair value of investment property (unrealised)	(12)	5,074
Item included in other comprehensive income		
• Gain (loss) due to foreign currency translation	(232)	2,791
• Improvements to investment properties	6,092	7,145
Balance at the end of the period	**150,215**	**108,857**

4. Investment Properties (continued)

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

Valuation technique

USA Property
Discounted cash flows: The valuation model considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth rate, vacancy periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid for by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the determination of an appropriate discount rate takes into consideration the quality and location of the building, tenant credit quality and lease terms.

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.

Significant unobservable inputs

USA Property
- 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%

NZ Properties
- 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

4. Investment Properties (continued)

Valuation technique (continued)

Inter-relationship between key unobservable inputs and fair value measurement

USA Property

The estimated fair value would increase/(decrease) if:

- 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

The estimated fair value would increase/(decrease) if:

- Expected market rental growth is higher/(lower)
- Occupancy is (lower)
- The lease up periods and letting up costs 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)

5. Financial liabilities

	31-Dec-19 A$'000	30-Jun-19 A$'000
Current		
Financial liabilities Non-Bank Bridge loan – amortised cost	-	1,150
Total loans and borrowings	**-**	**1,150**
Non-current		
Bank loans – amortised cost	71,939	49,434
Total loans and borrowings	**71,939**	**49,434**

Bank Loans – terms and conditions

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.

6. Capital and reserves

Capital management

Trust gearing at 31 December 2019 (debt to total assets, excluding right of use assets) is 41% (30 June 2019: 44%). Undrawn borrowings total approximately $16m. The undrawn borrowings are to fund re-positioning and capex works in NZ and USA.

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 period is shown below:

	31-Dec-19		30-Jun-19	
	No. of units	$'000	No. of units	$'000
Opening balance	**58,168,199**	**261,706**	2,105,742	206,137
Entitlement/UPP units issued to participants	**22,173,951**	**24,392**	96,295	95
UPP units to underwriter + placement			55,965,927	55,474
Rounding on unit consolidation at 5-Mar-19			235	-
Closing balance	**80,342,150**	**286,098**	58,168,199	261,706

7. (Loss)/Earnings per unit

The calculation of basic (loss)/earnings per unit at 31 December 2019 was based on the loss attributable to unitholders of the Trust of $1,041,000 (31 December 2018 loss: $2,768,000) and a weighted average number of units outstanding of 59,734,837 (31 December 2018: 5,204,594), calculated as follows:

	As at 31-Dec-19 $'000	As at 31-Dec-18 $'000
Net (loss) attributable to unitholders of the Trust	**(1,041)**	**(2,786)**

	As at 31-Dec-19	As at 31-Dec-18
Weighted average number of units (basic)		
Issued units at 1 July	58,168,199	2,105,742
Impact of units issued during the period	1,566,638	3,098,852
Weighted average number of units at 31 December	**59,734,837**	**5,204,594**

Diluted earnings per unit

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

8. Operating segments

The main business of the Consolidated Entity is investment in properties located in the United States of America and New Zealand which are 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 – 6 months ended 31-Dec-19	**USA $'000**	**Australia $'000**	**New Zealand $'000**	**Total $'000**
External revenues	1,320	-	3,762	5,082
Interest income	-	1	-	1
Net gain on foreign exchange	-	(6)	-	(6)
Other income	125	-	-	125
Total income/(loss)	1,445	(5)	3,762	5,202
Borrowing costs	454	142	990	1,586
Other operating expenses	1,416	799	2,430	4,645
Total expenses	1,870	941	3,420	6,231
Changes in fair value of investment properties	-	-	(12)	(12)
Profit/(Loss) before income tax	(425)	(946)	330	(1,041)
Income tax	-	-	-	-
(Loss)/Profit after income tax	**(425)**	**(946)**	**330**	**(1,041)**
Segment assets	**26,952**	**4,044**	**140,037**	**171,033**
Segment liabilities	**17,178**	**294**	**73,032**	**90,504**

8. Operating segments (continued)

Consolidated Entity – 6 months ended 31-Dec-18	USA $'000	Australia $'000	New Zealand $'000	Total $'000
External revenues	1,396	-	2,102	3,498
Interest income	-	-	-	-
Net gain on foreign exchange	-	-	(14)	(14)
Other income	-	-	-	-
Total income	1,396	-	2,088	3,484
Borrowing costs	482	2,169	617	3,268
Other operating expenses	1,329	751	1,053	3,133
Total expenses	1,811	2,920	1,670	6,401
Change in fair value of investment property	(1,097)	-	-	(1,097)
Changes in fair value of financial liability	1,228	-	-	1,228
Profit/(Loss) before income tax	(284)	(2,920)	418	(2,786)
Income tax	-	-	-	-
(Loss)/Profit after income tax	**(284)**	**(2,920)**	**418**	**(2,786)**
Segment assets	**24,057**	**6,968**	**73,926**	**104,951**
Segment liabilities	**17,427**	**145**	**36,162**	**53,734**

9. Adoption of AASB 16 Leases

The new accounting standard AASB 16 Leases became effective for the Trust on 1 July 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

This note explains the impact of the adoption of AASB 16 on the Trust's financial statements upon transition and for the six-month period.

(a) Transition

Transition approach

The Trust adopted AASB 16 using the modified retrospective approach with no cumulative adjustment recognised in retained earnings. Right of use assets recognised were equal to the value of lease liabilities recognised. Lease liabilities were measured at the present value of the remaining lease payments at 1 July 2019.

Impact of adoption

The Trust has lease arrangements where it is a lessee which are required to be recognised on balance sheet upon adoption of AASB 16. These primarily related to commercial office space (including sub leases of commercial offices where the Trust is the intermediate lessor).

Commercial offices

The Trust recognised right of use assets and lease liabilities for these lease arrangements which were previously classified as operating leases. In respect of commercial office leases:

- The Trust also has certain sub lease arrangements in place. For these leases, lease classification was reassessed by reference to the right-of-use asset arising from the head lease. Where the sub leases met the definition of a finance lease under AASB 16, the Trust derecognised the right of use asset for the head lease and recognised a net investment in the lease based on the present value of the lease payments received by the Trust. The Trust also recognised lease liabilities at the head level base.

The result of the above impacted on the consolidated financial statements on 1 July 2019:

- right of use assets of $20.1m and corresponding lease liabilities of $20.1m were recognised;
- ground lease payments of $0.8m were recognised as interest charges and reflected as such in the profit & loss statement.

9. Adoption of AASB 16 Leases (continued)

Impact for six months ended 31 December 2019

The table below shows the movement in the Trust's lease related balances for the period:

	Assets	Liabilities
For the six months to 31 December 2019	**Right of use assets $'000**	**Investment property leaseholds $'000**
Opening balance – 1 July 2019	20,145	(20,145)
Interest charge on lease liabilities	-	(791)
Ground lease payments	-	791
Closing balance	**20,145**	**20,145**

The accounting treatment the Trust adopts is different to other leasehold assets as the Trust's leasehold interests are perpetually renewable every 20/21 years. A right-of-use asset and a lease liability was recognised as at 1 July 2019. This was recognised as the present value of all expected future ground rent payments until the next ground lease renewal date then assumed the ground lease was renewed another 20/21 years and this period also included in the present value calculation. All ground rent payments are recognised as an interest expense.

10. 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 half-year reporting period were as follows:

Antony Wood
Andrew Saunders
Peter Chai
Nicholas Hargreaves

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.

	Note	2019 $'000	2018 $'000
Transactions with related parties - Consolidated			
Charged by the Responsible Entity and related parties:			
Responsible Entity/Management fees	see i below	**459**	208
Acquisition fees		**478**	392
Capital arrangement fees		**252**	131
Expense recoveries		**89**	84
Loan interest – Alceon Group Pty Limited		**624**	1,991
		1,900	2,806

10. Related parties (continued)

	Note	2019 $'000	2018 $'000
Balances outstanding with related parties - Consolidated			
To the Responsible Entity (included in payables)			
Responsible Entity fees		**190**	41
		190	41
Unsecured loan receivable - Consolidated			
Quattro RE Limited		**150**	150
		150	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

Unit holdings of the Responsible Entity and its key management personnel

As at 31 December 2019 there were no units held by the Responsible Entity (31 December 2018: nil units) in the Trust.

Mr Andrew Saunders and his associates hold 443,186 units in the Trust and Alceon Group Pty Limited hold 75,243,048 units (94%) in the Trust.

Related party investments held by the Trust

As at 31 December 2019 the Trust held no investments in the Responsible Entity or their associates (31 December 2018: Nil).

11. Financial instruments

Financial risk management

The Consolidated Entity's financial risk management objectives and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2019.

Accounting classifications and fair values

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

31-Dec-19	Carrying amount					Fair value			
	Note	Designated at fair value $'000	Cash, Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets not measured at fair value									
Trade and other receivables	1	-	973	-	973	-	-	-	-
Cash and cash equivalents		-	4,087	-	4,087	-	-	-	-
Financial liabilities not measured at fair value									
Trade payables	3	-	-	4,172	4,172	-	-	-	-
Lease liabilities	9	-	-	14,393	14,393	-	-	-	-
Bank Loan	5	-	-	71,939	71,393	-	-	-	-
30-Jun-19									
Financial assets not measured at fair value									
Trade and other receivables	1	-	222	-	222	-	-	-	-
Cash and cash equivalents		-	1,039	-	1,039	-	-	-	-
Financial liabilities not measured at fair value									
Trade payables	3	-	-	4,885	4,885	-	-	-	-
Other loan	5	-	-	1,150	1,150	-	-	-	-
Bank Loan	5	-	-	49,434	49,434	-	-	-	-

Capital management

Other than disclosed in this report and the 30 June 2019 Annual Report, there were no capital management initiatives for the six months ended 31 December 2019.

12. Contingent assets and liabilities and commitments

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.

13. Events subsequent to reporting date

The Trust is currently assessing and negotiating a number of acquisition opportunities in New Zealand, which if successful, would result in further scale of the Trust in the Auckland CBD.

Directors' declaration

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

(a) the consolidated financial statements and notes, set out on pages 10 to 31, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the six months ended on that date; and

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

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

Signed in accordance with a resolution of the Responsible Entity:

Andrew Saunders
Director

Sydney, 28 February 2020

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Quattro Plus Real Estate (the "Trust"), which comprises the consolidated interim statement of financial position as at 31 December 2019, and the consolidated interim statement of profit or loss and other comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ante Real Estate Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

Mark Godlewski

Pitcher Partners

M A GODLEWSKI

Partner

28 February 2020

PITCHER PARTNERS

Sydney